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LISTING STATEMENT NO. 2351.

LISTED MARCH 27, 1969.
1,376,500 Shares without par value, of which
126,500 Shares are subject to issuance.
Stock Symbol "FRS".
Post Section 9.3.
Dial Quotation No. 1960.

file

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

FOUR SEASONS HOTELS LIMITED

Incorporated under the Laws of the Province of Ontario
by Letters Patent of Amalgamation dated December 31, 1968.

CAPITALIZATION AS AT MARCH 13, 1969.

SHARE CAPITAL	AUTHORIZED	ISSUED AND OUTSTANDING	TO BE LISTED
Shares without par value	3,000,000	1,250,000	1,376,500
LONG TERM DEBT			
Bank Loan due April, 1970		500,000	NIL
Mortgage due July 15, 1984		1,112,750	NIL
Mortgage due February 1, 1987		4,245,000	NIL
Mortgage due August 1, 1988		322,736	NIL
Mortgage due April 30, 1972		38,250	NIL
Conditional Sales Contracts maturing to 1971		749,602	NIL
7% Sinking Fund Debentures Series A due February 3, 1989	5,000,000	5,000,000	NIL

NOTE: Particulars of the Share Capital and Long-Term Debt of the Company are shown in detail under the heading Capitalization, including notes appended thereto, on Page 3 of the Prospectus referred to in paragraph 2 hereof.

1. APPLICATION

FOUR SEASONS HOTELS LIMITED (hereinafter called the "Company") hereby makes application for the listing on The Toronto Stock Exchange of 1,376,500 Shares without par value in the capital of the Company of which 1,250,000 have been issued and are outstanding as fully paid and non-assessable. The remaining 126,500 Shares included in this Application have been reserved as follows:

For issue upon exercise of Share Purchase Warrants	100,000
Stock options to a director and a senior officer and to employees at \$8.00 per share expiring January 3, 1974	26,500
	126,500

2. REFERENCE TO PROSPECTUS

Reference is hereby made to the Prospectus issued by the Company under date of January 13, 1969, with respect to the offering of \$5,000,000 7% Sinking Fund Debentures, Series A, due February 3, 1989, with Share Purchase Warrants and 250,000 Shares without par value (hereinafter called the "Prospectus"). A copy of the Prospectus is attached hereto and is hereby incorporated into and made part of this application.

3. HISTORY, NATURE OF BUSINESS AND INCORPORATION OF THE COMPANY

A history of the Company, nature of its business and particulars of its incorporation are outlined on Pages 3, 4, 5, 6 and 7 of the Prospectus.

4. SHARE ISSUE SINCE INCORPORATION

Shares without par value.

<u>Date of Issue</u>	<u>No. of Shares Issued</u>	<u>Amount Realized Per Share</u>	<u>Total Amount Realized</u>	<u>Purpose of Issue</u>
January 3, 1969	1,000,000	.14 cents	\$1,449.00	Issued pursuant to an amalgamation of 23 amalgamating companies from which the Company was formed in exchange for the issued and outstanding capital stock of the predecessor Companies

NOTE: By Letters Patent of Amalgamation dated December 31, 1968, all of the issued shares of the predecessor companies with the exception of 3 shares, which were cancelled by the said Letters Patent of Amalgamation, were authorized to be exchanged for 1,000,000 Shares without par value of the continuing Company resulting from the amalgamation.

5. DIVIDEND RECORD

No dividends have been paid on the Company's Shares to date. For particulars of dividends declared in prior years by certain of the predecessor companies see Page 18 of the Prospectus.

6. PROPERTIES AND PLANT OF COMPANY AND SUBSIDIARIES

Particulars of the property and plant of the Company and its subsidiaries are outlined on Page 7 of the Prospectus.

7. SUBSIDIARY COMPANY

The Company has one subsidiary, Four Seasons Hotels (London) Limited, wholly owned, (particulars of which are set forth below), which Subsidiary will lease from Two Parks Development Limited of London, England a hotel being constructed in London for a term of 84 years, which hotel will be operated and managed by the Company under a sub-lease from the subsidiary, for a term of ten years.

SUBSIDIARY OR CONTROLLED COMPANY

<u>Name and Particulars of Incorporation</u>	<u>Authorized Capital</u>	<u>Issued Capital</u>	<u>Amount of Capital Owned by the Company</u>	<u>Date of Acquisition</u>
FOUR SEASONS HOTELS (LONDON) LIMITED, incorporated by Letters Patent dated November 13, 1968, under the laws of the Province of Ontario	36,000 6% non-participating non-voting, redeemable Preference Shares — par value \$1.00, and 4,000 Common Shares without par value	3 Common Shares	3 Common Shares	Jan. 3, 1969

8. OPTIONS

As described on Page 20 of the Prospectus under the heading "Stock Options", the Company has reserved 26,500 Shares for issue upon the exercise of stock options to a director, to a senior officer and to employees. All of the options are now outstanding and are exercisable at the price of \$8.00 per Share, at the rate of 20% per annum of the number of Shares optioned, with cumulative provisions.

9. LISTING ON OTHER STOCK EXCHANGES

There are no securities of the Company listed on any other Stock Exchange.

10. STATUS UNDER SECURITIES ACTS

The offer of 250,000 Shares without par value in the capital of the Company referred to in paragraph 2 hereof and in the Prospectus was qualified for sale to the public by January 25th, 1969 in all Provinces of Canada with the exception of Prince Edward Island and Newfoundland.

11. FISCAL YEAR

The fiscal year of the Company ends on December 31st in each year.

New Issue

\$6,000,000
Four Seasons Hotels Limited

\$5,000,000 7% Sinking Fund Debentures, Series A, due February 3, 1989
With Share Purchase Warrants
and
250,000 Shares without par value

Offered in Units each consisting of a \$1,000 Debenture (carrying Warrants to purchase 20 Shares) and 50 Shares.

Of the 50 Shares without par value (the "Shares") forming part of each Unit, 30 Shares will be transferable separately from the 7 % Sinking Fund Debenture, Series A (the "Series A Debenture") from the date of issue. The balance of the Shares forming part of each Unit will be transferable together with the Series A Debenture and will not be transferable separately until August 3, 1969 or such earlier date as the Company may designate.

The holders of the Series A Debentures will not be entitled to receive the Share Purchase Warrants (the "Warrants") until February 3, 1972 or such earlier date as the Company may designate. The Warrants when received will entitle the holder to purchase 20 Shares for each \$1,000 principal amount of Series A Debentures at \$10 per share up to February 3, 1976 and at \$12 per share thereafter and up to February 3, 1979, when they expire.

Units of Debentures and Common Shares	Price to Public ⁽¹⁾	Underwriting Discount	Proceeds to Company ⁽¹⁾⁽²⁾
Per Unit.....	\$1,200	\$42	\$1,158
Aggregate Total.....	\$6,000,000	\$210,000	\$5,790,000

(1) Plus accrued interest, if any, on the Series A Debentures.

(2) Before deduction of expenses estimated at \$125,000.

In the opinion of counsel, the Series A Debentures and the Shares will be investments in which the Canadian and British Insurance Companies Act states that a company registered under Part III thereof may invest its funds without resorting to the provisions of subsection (4) of Section 63 of the said Act and will also be investments in which Schedule C to the Regulations under the Pension Benefits Standards Act states that the funds of a pension plan registered thereunder may be invested without resorting to the provisions of Section 4 of the said Schedule C.

We, as principals, offer these Units if, as and when issued and accepted by us and subject to prior sale and to the approval of all legal matters on behalf of the Company by Messrs. Henry and Brown, Toronto, and on our behalf by Messrs. Wahn, Mayer, Smith, Creber, Lyons, Torrance & Stevenson, Toronto, who shall be entitled to rely on the opinion of the Company's counsel with respect to the title of the Company and its Subsidiary to their properties and the registration of and the priority of the lien created by the Trust Deed.

PRICE: \$1,200 per Unit

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Interim certificates, later exchangeable without cost for definitive certificates, for 30 of the Shares in each Unit and interim certificates in fully registered form for the Series A Debentures will be available for delivery on or about February 3, 1969. Interim certificates for the Series A Debentures will entitle the holders thereof to receive on August 3, 1969, or such earlier date as the Company may designate, definitive certificates for the remaining 20 Shares in each Unit and to receive on February 3, 1972, or such earlier date as the Company may designate, definitive certificates for the Series A Debentures and the Warrants.

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THE COMPANY

Four Seasons Hotels Limited (the "Company") is primarily engaged in the ownership and/or operation of hotel properties both directly and indirectly through its subsidiary and through minority interests in other corporate entities. The Company, in co-operation with others, is also engaged in the ownership, development and operation of residential and commercial properties.

The Company, whose head and principal office is located at 1100 Eglinton Avenue East, Don Mills, Ontario, is a corporation continued under The Corporations Act (Ontario) by Letters Patent of Amalgamation dated December 31, 1968, confirming an amalgamation agreement between Four Seasons Motor Hotel Limited, The Four Seasons Inn on the Park Limited, Fredros Limited, Mured Hotels Limited, Edimar Hotels Limited, Koreed Limited, Marmond Limited, Sharps Investments Limited, Quincees Investments Limited, Wencreed Limited, Dorcreed Limited, Thocreed Limited, Jacreed Limited, Doncreed Limited, Kothomas Investments Limited, Koleon Investments Limited, Koadam Investments Limited, Koffler-Creed Limited, Lenash Investments Limited, Jamgreg Investments Limited, Jorderill Investments Limited, Tiffany Investments Limited and Steele-View Holdings Limited.

As part of a general plan of reorganization, the Letters Patent of Amalgamation brought together as one corporate unit the predecessor companies which formerly carried on the business known as Four Seasons Motor Hotels, which business is presently conducted by the Company. Unless otherwise indicated, where in this prospectus the word "Company" is used it includes the predecessor companies.

The Company has one subsidiary, which is wholly-owned, Four Seasons Hotels (London) Limited incorporated by Letters Patent under the laws of the Province of Ontario.

CAPITALIZATION

Designation of Securities	Amount authorized and to be authorized	Amount outstanding at September 1, 1968	Amount outstanding at November 1, 1968	Amount outstanding at November 1, 1968 after giving effect to this financing
CURRENT SECURED BANK LOANS⁽¹⁾.....	—	\$ 275,000	\$ 200,000	\$ —
LONG TERM DEBT				
Bank loan due April, 1970 ⁽¹⁾	—	1,000,000	1,000,000	500,000
Mortgage due July 15, 1984 ⁽²⁾	—	1,130,450	1,124,550	1,124,550
Mortgage due February 1, 1987 ⁽³⁾	—	4,316,400	4,285,800	4,285,800
Mortgage due August 1, 1988 ⁽⁴⁾	—	326,713	325,402	325,402
Mortgage due April 30, 1972 ⁽⁵⁾	—	38,555	38,413	38,413
Conditional Sales Contracts maturing to 1971 ⁽⁶⁾	—	887,593	854,259	854,259
7% Sinking Fund Debentures, Series A, due February 3, 1989 (this issue).....	\$5,000,000 ⁽⁷⁾	—	—	5,000,000
SHARE CAPITAL⁽⁸⁾				
Shares without par value ⁽⁹⁾	3,000,000 shs.	1,000,000 shs. (\$1,449)	1,000,000 shs. (\$1,449)	1,250,000 shs. (\$1,001,449) ⁽¹⁰⁾

(1) These loans are secured by a general assignment of book debts.

(2) This is a first mortgage secured by The Four Seasons Motor Hotel, the Inn on the Park and a portion of the Carlton Street property, adjacent to The Four Seasons Motor Hotel and owned by the Company, bearing interest at 7% per annum and carrying a participation by the mortgagee in the room revenue of The Four Seasons Motor Hotel to a maximum of \$15,937 per annum.

(3) This is a second mortgage which is also secured by The Four Seasons Motor Hotel, the Inn on the Park and a portion of the Carlton Street property owned by the Company, bearing interest at 7¼% per annum and carrying a participation by the mortgagee in the room revenue of the Inn on the Park to a maximum of \$60,000 per annum to 1982, and a maximum of \$17,000 per annum thereafter to 1987.

(4) This is a first mortgage secured by the service station property owned by the Company at Jarvis and Carlton Streets, bearing interest at 6¾% per annum.

(5) This is a first mortgage secured by the balance of the Carlton Street property owned by the Company, bearing interest at 7½% per annum.

(6) These are contracts for the purchase of furniture, furnishings and equipment at The Four Seasons Motor Hotel and the Inn on the Park at rates of interest varying from 7.78% to 10% per annum with an average rate of 8.5% per annum.

- (7) The Company may issue additional debentures without limitation subject only to the restrictions referred to on pages 13 and 14.
- (8) On December 31, 1968, Letters Patent of Amalgamation were issued amalgamating and continuing the predecessor companies with an authorized capital of 3,000,000 Shares without par value. The authorized and issued Shares shown in this table and the notes hereto give effect to the issuance of such Letters Patent of Amalgamation.
- (9) The 3,000,000 Shares of the Company may not be issued for a consideration aggregating more than \$20,000,000.
- (10) In addition to the paid in capital as indicated, the Company had retained earnings of \$1,945,703 and surplus arising from appraisal of fixed assets of \$3,006,023 as shown on the pro forma Consolidated Balance Sheet on pages 24 and 25.
- (11) The obligations of the Company with respect to leases of real property are set forth in note 10 of the Notes to the Combined and Consolidated Balance Sheet appearing on page 28.
- (12) The Company has a 50% interest in a partnership known as Rosehill Development Company which has mortgaged the lands and buildings comprising the Rosehill project as security for a loan in the principal amount of \$3,600,000 bearing interest at the rate of 8% per annum and maturing in 1999. Further particulars with respect to the Rosehill project are set forth under the heading "Rosehill Development Company" on page 5.
- (13) The Company has a 47½% interest in a partnership known as Mt. Pleasant Development Company which has assumed the existing mortgages of the lands and premises comprising the Mt. Pleasant project as security for loans presently outstanding in the aggregate principal amount of \$143,155 bearing interest at rates of 7% to 8% per annum and maturing to May 1, 1976. Mt. Pleasant Development Company has also mortgaged such lands and premises as security for a further loan in the amount of \$433,845 bearing interest at the rate of 8% per annum and maturing October 31, 1971. Further particulars with respect to the Mt. Pleasant project are set forth under the heading "Mt. Pleasant Development Company" on page 6.

BUSINESS OF THE COMPANY

History

The Company was established in 1960 by a group of five Toronto businessmen, Max Sharp, Isadore Sharp, Murray Koffler, Edmond Creed and Frederick Eisen, to construct a downtown motor hotel in Toronto. Following the completion in March, 1961 of this hotel, known as The Four Seasons Motor Hotel, the group embarked on the development of a larger hotel, located in suburban Toronto. This hotel, known as the Inn on the Park, was opened in May, 1963.

In addition to its hotel interests, the Company, in 1967, on a partnership basis, participated in the purchase of approximately two acres of land in midtown Toronto for the purpose of constructing two co-operative apartment buildings. The first building in this project, known as Avoca Apartments, was completed in December, 1968 and the second is scheduled for completion in the fall of 1969.

In December, 1966 the Company purchased 24 acres of land in the Bayview-Steeles district of the Borough of North York with the view to developing the same as a residential subdivision. As a result of a decision to concentrate its efforts on its hotel and commercial property development programme the Company subsequently disposed of these lands at a profit.

With respect to all its developments the Company has adopted a philosophy which dictates distinctive architectural design and avoidance of stereotype structures. The general concept is to use, where possible, an interior courtyard in which is embodied a blending of water and greenery. In each of the Company's developments the landscaping of the surrounding grounds is an important feature.

Existing Operations

The Four Seasons Motor Hotel

The Four Seasons Motor Hotel ("The Four Seasons"), the first venture of the Company, was completed in March, 1961 at a cost of approximately \$1,850,000. Its location, at the corner of Jarvis and Carlton Streets on the fringe of the downtown core of Toronto, represented at the time a departure from the usual practice of locating motor hotels in suburban areas. The Four Seasons consisted originally of 124 rooms. As a result of its initial success, a 40 room addition was added in May, 1964 at a cost of approximately \$1,170,000. In keeping with the motor hotel concept, The Four Seasons, despite its downtown location, provides complimentary on-site paved parking facilities for approximately 150 automobiles.

The Four Seasons, a three-storey structure, is built around an inner patio which includes a swimming pool, a terrace lounge and landscaped gardens. Although not a convention hotel, The Four Seasons provides meeting and conference rooms, the largest of which has a seating capacity of 175 persons. Its dining room seats 86 persons and its cocktail lounge seats approximately 80 persons.

At this location the Company owns almost three acres of land which, in addition to the land on which The Four Seasons is situated, includes an adjacent service station property at the corner of Jarvis and Carlton Streets, which is leased to Shell Canada Limited, and adjacent properties fronting on Carlton Street.

Since its opening The Four Seasons has continuously enjoyed high occupancy rates. These average occupancy rates and the average rate per occupied room are shown in the following table.

	<u>1961</u> (10 mths.)	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u> (10 mths.)
Average occupancy rate..	76.3 %	86.2 %	83.5 %	81.7 %	84.3 %	87.1 %	84.1 %	85.3 %
Average rate per occupied room.....	\$14.28	\$14.90	\$14.82	\$15.15	\$15.33	\$16.25	\$17.69	\$19.26

Inn on the Park

The Inn on the Park ("the Inn") is situated on approximately 15 acres of land at the corner of Eglinton Avenue and Leslie Street in the suburban community of Don Mills, approximately six miles from downtown Toronto. It is located in the midst of one of the largest parkland complexes in Metropolitan Toronto, consisting of the Wilket Creek Park, the Serena Gundy Park, Edward's Gardens and the Ernest Thompson Seton Park. The hotel was designed as a major convention hotel with a resort atmosphere and encompasses a large wooded courtyard featuring a duck pond and waterfall, and seasonal swimming, tennis and skating facilities.

The Inn, originally consisting of 198 rooms, was completed in May, 1963 at a cost of approximately \$4,170,000. In June, 1965 the size of the hotel was virtually doubled upon the completion of construction of a 189 room addition, and of further convention facilities, at a total additional cost of approximately \$4,590,000. The Inn provides on its grounds complimentary paved parking facilities for approximately 1,000 automobiles.

The Inn provides 17 rooms for meetings, conferences and special functions, the largest being the Centennial Ballroom in the north-east wing which can accommodate 960 persons for dining functions and up to 1,600 for receptions. In addition, the hotel has three dining rooms, the Vintage Room, the Café de l'Auberge and the Buttery, capable of accommodating a total of 430 persons. Two cocktail bars, the Copper Lounge and the Terrace Lounge, have a seating capacity totalling 275. During the summer months the Inn also provides a pool-side Cabana Café.

Despite the major expansion completed in June of 1965, a high occupancy rate has been maintained by the Inn since its opening in May, 1963. These average occupancy rates and the average rate per occupied room are shown in the following table.

	<u>1963</u> (8 mths.)	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u> (10 mths.)
Average occupancy rate.....	78.1 %	84.5 %	81.7 %	78.5 %	78.5 %	82.2 %
Average rate per occupied room.....	\$15.00	\$15.63	\$16.05	\$17.66	\$18.79	\$19.91

A \$4,500,000 programme of expansion to the Inn is currently being developed. This expansion programme contemplates a 22 storey addition consisting of 213 rooms, a new major dining room, an indoor swimming pool and an additional outdoor swimming pool. The programme is to be completed in several stages, the first of which is now underway.

Rosehill Development Company

The Company has a 50 % interest in a partnership known as Rosehill Development Company ("Rosehill"), the other partners being Oakmount Investments Limited, Emmay Investments (Toronto) Limited, Stinson Investments Limited, Bigmar Enterprises Limited and Mandolin Investments Limited. Rosehill purchased two acres of land on Avoca Avenue and Rosehill Avenue, in the St. Clair-Yonge district of mid-town Toronto, on which lands Rosehill is constructing twin co-operative apartment towers. Each tower has 19 storeys and contains 36 one-bedroom and 72 two-bedroom suites. Rosehill has entered into an agreement to sell the land and buildings to Avoca Apartments Limited ("Avoca"), the shares of which are being sold to the public and carry with them the beneficial interest in and exclusive right to occupy a designated apartment suite. The first tower was completed in December, 1968 and all its suites have now been sold. The second tower is scheduled to be completed by the fall of 1969 and as of December 31, 1968, 50 % of its suites had been sold. The total cost of the project is estimated at

\$5,300,000 of which the Company's total investment is \$171,250. The balance of the funds required by Rosehill pending completion of the sale to Avoca is being provided by a conventional mortgage of \$3,600,000 and a bank loan of \$1,000,000. Under the agreement with Rosehill, the purchase price payable by Avoca for the lands and buildings is equal to the aggregate proceeds from the sale of the units. Assuming all suites are sold, the gross revenue to Rosehill from the entire project based on present unit prices will be approximately \$6,600,000.

Future Operations

The Four Seasons Sheraton

The Company has a 49% interest in South Side Development Limited ("South Side"), a company incorporated to construct and operate a hotel complex ("The Four Seasons Sheraton") in downtown Toronto located on the south side of Queen Street, directly opposite Nathan Phillips Square. The remaining 51% interest in South Side is held by International Telephone and Telegraph Corporation ("ITT") and Sheraton Corporation of America ("Sheraton"). The Four Seasons Sheraton will be constructed, equipped and furnished at an estimated cost of \$34,000,000. The site, designated as Civic Square South, is owned by The Corporation of the City of Toronto and has been leased to the Company and South Side as a result of the Company being awarded, following an international competition, the right to develop Civic Square South through South Side.

The plans provide for an integrated 37 storey hotel complex consisting of a 1,200 room hotel, a convention centre, two theatres seating 600 and 1,000 respectively, 50 or more boutiques, and two-and-a-half acres of landscaped gardens, pools, walkways and waterfalls. There will also be specialty restaurants, roof-top supper clubs, swimming pools and winter gardens overlooking Nathan Phillips Square.

The hotel will provide convention facilities capable of accommodating 8,000 people. Its banquet rooms, auditoriums and a 15,000 sq. ft. exhibition hall will be capable of properly servicing major national and international conventions. The main ballroom will be capable of serving up to 2,500 persons for dining and 4,000 persons for meetings, more than one-and-a-half times the capacity of Toronto's largest existing ballroom.

The complex will occupy approximately three acres. Maximum utilization of the space will be obtained by including much of the convention facilities, shopping and theatres on two underground levels. Pedestrian access to Nathan Phillips Square and to its underground parking facilities will be provided by both an underground and elevated walkway. Provision will also be made to permit underground access to neighbouring department stores and office buildings and to the Toronto subway system.

The Four Seasons London

Under an agreement between the Company and Two Parks Development Limited ("Two Parks") of 115 Park Lane, London, England, Two Parks has agreed to construct a 10 storey, 232 room hotel, to be known as The Four Seasons London, and to lease the same on a net basis to Four Seasons Hotels (London) Limited ("London"), a wholly-owned subsidiary of the Company, for a term of 84 years following completion of the hotel. Upon completion of construction, the hotel will be operated and managed by the Company under a sub-lease from London.

The site, a triangular block known as "Hamilton Place", is located on Old Park Lane in the Mayfair section of London in close proximity to the Dorchester Hotel, the London Hilton Hotel and Hyde Park Corner.

In keeping with the Company's policy of maintaining control over the design of all of its projects, the Four Seasons London has been designed under the supervision of the Company's architects and plans for the interior decor of the hotel are being prepared by the Company's interior designer. Demolition of the existing buildings on the site has been completed and construction is well advanced. It is anticipated that the hotel will open for business by February, 1970.

The hotel facilities will include several conference and banquet rooms, the largest of which will accommodate 350 persons, two dining rooms, two cocktail lounges and a number of boutiques.

Mt. Pleasant Development Company

The Company has a 47½% interest in a partnership known as Mt. Pleasant Development Company ("Mt. Pleasant"), the other partners being Emmay Investments (Toronto) Limited, Mandolin Investments Limited, Terebinth Limited and Burton-Lesbury Holdings Limited. Mt. Pleasant has purchased 1.2 acres of land located at the south-east corner of Mount Pleasant Road and Davisville Avenue in Toronto. The Seccombe Building, a three-storey office building containing approximately 20,000 sq. ft. of rentable area is situated on a portion of the lands and has been leased by Mt. Pleasant on a net basis to Seccombe House Canada Limited for a term of five years with five three-year renewal options. Plans are presently being prepared for the construction by Mt. Pleasant

of an 18 storey reinforced concrete office building containing approximately 200,000 sq. ft. of rentable area on a portion of the balance of the lands. The Company will have control of the design and construction of such building. The remaining lands will be devoted to landscaping and parking facilities. The Company's investment in this project at November 1, 1968 was approximately \$60,000. Construction will commence when building plans and financing arrangements have been completed. In view of the rentals presently being generated from the property, no further interim financing is expected to be required pending commencement of construction.

PROPERTY

Hotels

The lands and buildings comprising The Four Seasons and the Inn are owned by the Company subject to conventional mortgages, particulars of which are set forth under the heading "Capitalization" appearing on page 3. The land and buildings comprising The Four Seasons London will be leased by Two Parks to London for a term of 84 years and will be held by the Company under a sub-lease from London.

The furniture, furnishings and equipment of the Inn and The Four Seasons are owned by the Company subject to the conditional sales contracts referred to under the heading "Capitalization" appearing on page 3. The furniture, furnishings and equipment of The Four Seasons London will also be owned by the Company subject to such conditional sales contracts as may be arranged.

Rosehill Development Company

The lands and buildings comprising the Rosehill project are owned by Rosehill subject to a conventional mortgage in the principal amount of \$3,600,000. Rosehill has entered into an agreement to sell such lands and buildings, subject to such mortgage, to Avoca, the particulars of which are referred to under the heading "Rosehill Development Company" on page 5.

Mt. Pleasant Development Company

The lands and existing buildings comprising the Mt. Pleasant project are owned by Mt. Pleasant subject to the existing mortgages totalling \$143,155 assumed by Mt. Pleasant at the time of acquisition and a mortgage in favour of the vendor of such lands and buildings in the amount of \$433,845. These mortgages will be retired when permanent financing has been arranged and construction has commenced.

JOINT VENTURE AGREEMENT

The Company has entered into an agreement (the "Joint Venture Agreement") dated August 19, 1968 with ITT and Sheraton with respect to the incorporation and organization of South Side, the leasing by South Side of Civic Square South and the construction and operation thereon by South Side of The Four Seasons Sheraton and with respect to their relationship as shareholders of South Side. The following is a summary of the relevant provisions of the Joint Venture Agreement:

1. All investments by the Company and ITT in South Side to the extent of 10% shall be by way of subscription for common shares and to the extent of the balance by way of loan bearing interest at a rate $\frac{1}{2}$ of 1% higher than current bank rates.
2. The Company and ITT shall invest or cause to be invested in South Side, in the proportions of 49% and 51% respectively, a minimum of \$6,000,000. To the extent necessary, the Company and ITT shall invest in the same proportions a further \$4,000,000, provided that the Company may, at its option, elect not to invest the whole or any part of its proportionate share of such further amount, in which event ITT shall, in addition to its proportionate share of such further amount, invest an amount equal to that part of the Company's proportionate share which it has elected not to invest, up to a maximum investment by ITT of \$7,000,000.
3. ITT shall arrange on behalf of South Side for all additional financing required by South Side with respect to The Four Seasons Sheraton.
4. The Company and South Side shall execute a ground lease (the "Ground Lease") and a building agreement (the "Building Agreement") with The Corporation of the City of Toronto. ITT and Sheraton shall indemnify and save the Company harmless from and against that proportion of all claims, demands, costs, charges or expenses which the Company thereby incurs which is equal to the percentage interest of ITT and Sheraton in South Side.

5. The Company may at any time until The Four Seasons Sheraton opens for business sell up to 20% of its total investment in South Side and at any time thereafter sell all or part of its total investment in South Side to any person, firm or corporation provided that prior to any such sale it has offered to sell the same to ITT and Sheraton on the same terms and conditions and such offer has been refused.
6. The Company may, by notice in writing:
 - (i) at any time within the first three years following The Four Seasons Sheraton opening for business require ITT and Sheraton to purchase all of its investment in South Side at cost plus interest thereon compounded annually at a rate $\frac{1}{2}$ of 1% per annum greater than the Company's cost of borrowing for such investment; and
 - (ii) at any time during the period commencing three years after The Four Seasons Sheraton opens for business and ending 13 years after The Four Seasons Sheraton opens for business require ITT and Sheraton to purchase all or any part of its investment in South Side at a price based on the fair market value of South Side, as determined by an independent appraisal.
7. ITT and Sheraton may not, prior to The Four Seasons Sheraton opening for business, sell any part of their investment in South Side. ITT and Sheraton and any subsidiary or affiliate holding an interest in South Side may, at any time after The Four Seasons Sheraton opens for business sell such interest, provided, that prior to such sale, such interest shall have been offered to the Company on the same terms and conditions (such offer to be open for acceptance for a period of 90 days) and such offer shall have been refused, and provided that the purchaser of such interest assumes all of the obligations of ITT under the Joint Venture Agreement. During the period in which such offer is open for acceptance by the Company, the Company shall be entitled, notwithstanding such offer, to exercise the rights referred to in the foregoing paragraph 6.
8. In the event of such a sale by ITT, Sheraton or any subsidiary or affiliate, ITT and Sheraton shall notwithstanding such sale:
 - (i) continue to indemnify and save the Company harmless to the extent hereinbefore stipulated from and against all claims, demands and costs, charges or expenses which the Company incurs by reason of its having executed the Ground Lease; and
 - (ii) guarantee that the purchaser shall at any time within the first three years following The Four Seasons Sheraton opening for business, when required by the Company in accordance with the terms and provisions of the Joint Venture Agreement, purchase all of the Company's investment in South Side at cost plus interest thereon, compounded annually, at a rate $\frac{1}{2}$ of 1% per annum greater than the Company's cost of borrowing for such investment.

INTERNATIONAL TELEPHONE & TELEGRAPH CORPORATION

ITT, incorporated under the laws of the State of Delaware, is engaged in the manufacture and distribution of an extensive line of electronic and telecommunication equipment and related services both in the United States and in approximately 50 other countries. In addition, ITT is actively engaged in the manufacture of equipment for the United States space and defense programmes. According to published reports, consolidated net assets, as at December 31, 1967, amounted to \$1,143,568,000 and for the fiscal year ended December 31, 1967 gross revenue amounted to \$2,793,055,000 and net profits totalled \$119,221,000. Growth in recent years has been accelerated through numerous acquisitions including companies operating in the chemical cellulose, automotive parts, residential construction, food and hotel industries. ITT acquired Sheraton in February, 1968.

SHERATON CORPORATION OF AMERICA

Sheraton, incorporated under the laws of the State of Delaware, is a company engaged in the business of operating and franchising hotels, motor inns, office buildings and other real estate properties. Its operations extend throughout the United States and Canada and also into the Caribbean and overseas areas. Sheraton became a subsidiary of ITT in February, 1968.

USE OF PROCEEDS

The estimated net proceeds to be received by the Company from the sale of the securities offered by this prospectus will amount to \$5,665,000. Of this amount, \$4,000,000 is to be deposited with and held by Canada Permanent Trust Company, as Trustee under the Trust Deed, and withdrawn from time to time by the Company as required for the purpose of making its investment in South Side, as referred to under the heading "Joint Venture

Fund" on page 11 (subject to the immediate withdrawal by the Company of the \$500,000 already invested by it in South Side) and \$500,000 is to be used to repay half of the existing long term bank indebtedness. The balance, amounting to \$1,165,000, will be used to augment the Company's working capital position, which will include the retirement of current bank loans, which at the date hereof amount to \$200,000.

ASSET COVERAGE

The consolidated net tangible assets of the Company as at September 1, 1968, as shown by the accompanying pro forma Consolidated Balance Sheet on pages 24 and 25, were as follows:

Total assets.....	\$20,225,287	
Less cost of re-organization and public financing.....	335,000	\$19,890,287
Total liabilities.....	14,272,112	
Less Series A Debentures.....	5,000,000	9,272,112
Consolidated net tangible assets (before deducting Series A Debentures).....		<u>\$10,618,175</u>

These consolidated net tangible assets represent \$2,124 for each \$1,000 principal amount of Series A Debentures to be outstanding upon completion of this financing.

INTEREST COVERAGE

Maximum annual interest requirements of the Company and its Subsidiary on the Series A Debentures will amount to \$350,000 per annum which will decrease as the sinking fund operates. In the five years and eight months ended September 1, 1968, consolidated earnings, after deducting depreciation and interest on long term debt but before provision for income taxes, averaged \$436,313 per annum. For the 20 months ended September 1, 1968, the comparable earnings averaged \$679,520 per annum. These amounts represent 1.25 times and 1.94 times, respectively, the maximum annual interest requirements on the Series A Debentures.

As a result of the transactions referred to in this prospectus, the Company is entitled to certain investment income not reflected in past earnings. Until the \$4,000,000 deposited by the Company in the Joint Venture Fund has been withdrawn for investment in South Side, the Company is entitled to all income from the investment of such moneys by the Trustee. 90% of all investment by the Company in South Side will be by way of loan, bearing interest at a rate $\frac{1}{2}$ of 1% higher than current bank rates. During the period of construction of The Four Seasons Sheraton, such interest will accrue and thereafter will be payable out of the net profits of South Side subject to such subordination, if any, as may be required in connection with South Side obtaining senior debt financing. In addition, for three years after The Four Seasons Sheraton opens for business, if the Company exercises its right under the Joint Venture Agreement to require ITT and Sheraton to purchase its total investment in South Side the Company is entitled to receive, in addition to the amount of the Company's investment, interest thereon, compounded annually from the dates of such investment, at a rate $\frac{1}{2}$ of 1% per annum greater than the Company's cost of borrowing such investment.

PLAN OF DISTRIBUTION

Pursuant to an agreement dated January 13, 1969 the Company has agreed to sell and McLeod, Young, Weir & Company Limited (the "Underwriter") has agreed to purchase as principal the \$5,000,000 aggregate principal amount of Series A Debentures (with Warrants) and 250,000 Shares comprising the Units for the aggregate purchase price of \$5,790,000 plus accrued interest, if any, on the Series A Debentures. Subject to the terms and conditions set out in the said agreement and compliance with the necessary legal formalities, the purchase price will be payable in cash against delivery of appropriate certificates representing the Units at a closing to be held on or about February 3, 1969.

OFFERING OF UNITS OF SERIES A DEBENTURES AND SHARES

The Series A Debentures and Shares are being offered in Units, each consisting of \$1,000 principal amount of Series A Debentures and 50 Shares.

The purchasers of each Unit will receive, on or about February 3, 1969, an interim share certificate representing 30 Shares, later exchangeable without cost for a definitive share certificate, and an interim Series A Debenture in the principal amount of \$1,000, endorsed with a statement to the effect that 20 Shares have been deposited

with and are held by Canada Permanent Trust Company, as Depositary, pursuant to an agreement (the "Deposit Agreement") to be made as of February 3, 1969 between the Company and Canada Permanent Trust Company. The Deposit Agreement will provide that within three business days after August 3, 1969 (or such earlier date, which in any event will not be earlier than March 3, 1969, as may be designated by the Company upon not less than 14 days' notice to the registered holders of Series A Debentures), the Depositary will mail to each registered owner of record of Series A Debentures on such date a definitive share certificate representing 20 Shares for each \$1,000 principal amount of Series A Debentures held as of such date. Prior to August 3, 1969 or the earlier date so fixed (or, as to any Series A Debenture which shall be redeemed, its redemption date) any transfer of a Series A Debenture shall include the interest of the holder in such 20 Shares. The Deposit Agreement will provide that the beneficial owners of the Shares deposited with the Depositary as their names appear on the debenture registers will be entitled to receive from the Depositary proxies to vote such Shares at meetings of shareholders of the Company. Dividends at any time paid upon the Shares deposited with the Depositary while held by the Depositary pursuant to the Deposit Agreement will be paid over or made available by the Depositary to the registered holders of the Series A Debentures according to their respective interests, in such manner as the Depositary and the Company shall determine.

Series A Debentures in definitive form will be available in exchange for interim Series A Debentures on or about February 3, 1972 or such earlier date as the Company may designate. Warrants in bearer form entitling the holders to purchase 20 Shares of the Company, as presently constituted, for each \$1,000 principal amount of Series A Debentures will be attached to the Series A Debentures when issued in definitive form. The Warrants will be detachable and exercisable at the price of \$10 per Share at any time up to February 3, 1976 and at the price of \$12 per Share at any time thereafter and up to February 3, 1979, when they expire.

DESCRIPTION OF THE SERIES A DEBENTURES

Trust Deed

The Series A Debentures offered by this prospectus are to be issued under a trust indenture (the "Trust Deed") to be dated as of January 31, 1969 and to be made between the Company and Canada Permanent Trust Company, as Trustee.

Payment

The Series A Debentures will be dated February 3, 1969, will bear interest at the rate of 7% per annum from February 3, 1969 and will mature February 3, 1989. Principal, half-yearly interest (February 3 and August 3) and premium, if any, will be payable in lawful money of Canada at the holder's option at any branch in Canada of the bank designated in the Series A Debentures.

Denominations and Forms

The Series A Debentures will be issued in interim fully registered form in denominations of \$1,000 and any authorized multiple thereof. The Series A Debentures, in definitive fully registered and coupon form and in the same denominations, will be available in exchange for interim Series A Debentures on or about February 3, 1972 or such earlier date as the Company may designate.

Security

The Series A Debentures will be direct obligations of the Company, will rank equally with all other debentures to be issued and outstanding under the Trust Deed and, subject to Minor Title Defects and Permitted Encumbrances and as to an exception of the last day of the term of any lease or agreement therefor, will be secured by:

- (i) a first fixed and specific mortgage, pledge and charge of and on all moneys and investments from time to time comprising the Joint Venture Fund, the details of which are set forth under the heading "Joint Venture Fund" on page 11; and
- (ii) a first floating charge under the laws of the Province of Ontario on all of the Company's undertaking, property and assets (other than the property described in the foregoing subparagraph (i)) of whatsoever nature or kind situate in the Province of Ontario.

The Trust Deed will provide that the said first floating charge and the Trust Deed shall in no way hinder or prevent the Company at any time and from time to time (unless and until the security constituted by the Trust Deed shall have become enforceable and the Trustee shall have determined or become bound to enforce the same) from:

- (a) pledging, selling, alienating, leasing, assigning, mortgaging, hypothecating, charging or otherwise disposing of or dealing with the subject matters of such floating charge in the ordinary course of its business and for the purpose of carrying on the same; or
- (b) pledging, assigning or giving security or securities (whether by way of floating charge or otherwise) upon the subject matters of such floating charge and to rank in priority thereto, to any bank or banks under the Bank Act of Canada or to any other loaning institution for present or future debts or liabilities of the Company to such bank or banks or other loaning institution provided that such debts or liabilities do not constitute Funded Obligations; or
- (c) assuming, giving, extending, renewing or refunding Permitted Mortgages and/or Purchase Money Obligations.

provided that any such action is not in breach of any express provision to be contained in the Trust Deed.

There will be included in the Trust Deed provisions for the release on certain terms and subject to certain conditions of property from time to time covered by the said first fixed and specific mortgage, pledge and charge and the said first floating charge.

Redemption and Payment

The Series A Debentures will be redeemable at the option of the Company in whole at any time or in part from time to time on not less than 30 days' notice at the following percentages of the principal amount thereof, together in each case with accrued and unpaid interest to the date fixed for redemption:

If redeemed in the 12 month period beginning February 3	Percentage	If redeemed in the 12 month period beginning February 3	Percentage
1969	107.00	1979	103.15
1970	106.60	1980	102.80
1971	106.20	1981	102.45
1972	105.80	1982	102.10
1973	105.40	1983	101.75
1974	105.00	1984	101.40
1975	104.60	1985	101.05
1976	104.20	1986	100.70
1977	103.85	1987	100.35
1978	103.50	1988	100.00

Redemption or partial redemption of Series A Debentures at any time or from time to time, other than at the option of the Company, shall be at the principal amount thereof together in each case with accrued and unpaid interest to the date fixed for redemption. The Series A Debentures will also be payable, in the event that the security constituted by the Trust Deed shall have become enforceable and the Trustee shall have determined or become bound to enforce the same, at the principal amount thereof plus accrued interest.

Sinking Fund

The Company will covenant in the Trust Deed to establish a sinking fund sufficient to retire \$250,000 principal amount of Series A Debentures on or before February 3, in each of the years 1973 to 1988 inclusive. Such sinking fund payments will provide for the retirement of 80% of the original principal amount of Series A Debentures prior to maturity. The Company will be entitled at its option to purchase Series A Debentures in the market or by tender or by private contract (otherwise than out of sinking fund moneys) at any price not exceeding the price at which such Series A Debentures at the date of purchase are redeemable at the option of the Company, plus accrued interest and costs of purchase. All Series A Debentures purchased or redeemed by the Company (otherwise than out of sinking fund moneys) may be applied by the Company as a credit (to the extent not theretofore applied) at the principal amount thereof against subsequent sinking fund payments.

Joint Venture Fund

Upon the certification and delivery of the Series A Debentures, on or about February 3, 1969, the amount of \$4,000,000 will be deposited with the Trustee as a fund (the "Joint Venture Fund").

At any time before the Completion Date and upon compliance with the conditions to be specified in the Trust Deed the Company may withdraw cash from the Joint Venture Fund to the extent of moneys invested by the

Company in South Side. Such conditions will include the filing of certain certificates and opinions including certificates certifying as to the nature and amount of such investments and legal opinions as to the good title of the Company to the securities and obligations issued by South Side to evidence such investments.

To the extent that the Company shall not be entitled to an immediate withdrawal of the moneys comprising the Joint Venture Fund the Trustee shall, subject to certain provisions, invest and reinvest such moneys, vary and dispose of investments and distribute the income therefrom from time to time in accordance with the instructions of the Company provided that all such investments shall be deposits with Canadian chartered banks against demand or fixed term deposit certificates or of the kind described or referred to in subsection (I) of Section 63 of the Canadian and British Insurance Companies Act.

The moneys and securities forming that part of the Joint Venture Fund remaining at the Completion Date shall:

- (i) to the extent of the difference between the aggregate amount theretofore withdrawn by the Company and 49% of the aggregate investment by ITT, Sheraton and the Company in South Side, be applied by the Trustee to the redemption of Series A Debentures at the principal amount thereof plus interest accrued to the redemption date; and
- (ii) to the extent of the balance of such moneys and securities, be paid over or delivered by the Trustee to the Company;

provided that in the event that the moneys and securities to be applied by the Trustee to the redemption of Series A Debentures are less than \$50,000, such moneys and securities shall constitute trust moneys and shall be dealt with by the Trustee in the manner set forth in the Trust Deed.

Certain Covenants of the Trust Deed

The Trust Deed will contain, among other provisions, certain covenants substantially as follows, which will apply as long as any Series A Debentures are outstanding:

- (a) Subject to certain exceptions, neither the Company nor any Subsidiary will create, assume or suffer to exist any mortgage, hypothec, charge, pledge, lien or other encumbrance upon any of its assets or undertaking now owned or hereafter acquired to secure any bonds, debentures or other obligations (other than the Series A Debentures) which ranks or purports to rank prior to or equally with the security created by the Trust Deed unless at the same time it shall secure equally and rateably therewith all the Series A Debentures then outstanding. The principal exceptions to this covenant will permit the creation or assumption of Permitted Mortgages and Purchase Money Obligations and the giving of security (except on the specifically mortgaged property or on shares or indebtedness issued by South Side or by any Subsidiary which hereafter acquires and holds any interest in South Side or hereafter acquires and holds any interest in the lands, buildings or other fixed assets comprising either The Four Seasons or the Inn) for indebtedness (other than Funded Obligations) to banks or other loaning institutions in the ordinary course of its business.
- (b) The Company will not sell or otherwise dispose of any Funded Obligations of any Subsidiary or shares of any Subsidiary, other than to a wholly-owned Subsidiary, nor will the Company permit any Subsidiary to issue, sell or otherwise dispose of or to become liable on any Funded Obligations of such Subsidiary or of any other Subsidiary or any shares of such Subsidiary or of any other Subsidiary other than to the Company or a wholly-owned Subsidiary except with the consent of the Trustee, which consent the Trustee shall be authorized to give if, in the opinion of the Trustee, the security created by the Trust Deed will not be impaired or otherwise lessened by such sale or other disposition, provided, however, that all shares of all classes of any Subsidiary owned by the Company and by one or more other Subsidiaries or any of them, together with all Funded Obligations and other securities and obligations issued by that Subsidiary owned by the Company and by one or more other Subsidiaries or any of them may be sold as an entirety for their fair value in cash if, at the time of such sale the Subsidiary whose shares are being sold does not own any shares, Funded Obligations or other securities or obligations of any Subsidiary, all the shares of which owned by the Company and its Subsidiaries, are not being simultaneously disposed of.
- (c) The Company will not, either in whole or in part, sell or otherwise dispose of its interest in South Side or the lands, buildings or other fixed assets comprising either The Four Seasons or the Inn except to a wholly-owned Subsidiary nor will the Company permit any Subsidiary, either in whole or in part, to sell or otherwise dispose of any interest of such Subsidiary in South Side or any interest of such Subsidiary in the lands, buildings or other fixed assets comprising The Four Seasons or the Inn unless either:

- (i) in the opinion of the Trustee having regard to the proceeds to be received by the Company or such Subsidiary from such sale or disposition and any reinvestment thereof by the Company or such Subsidiary the security created by the Trust Deed will not be impaired or otherwise lessened by such sale or disposition; or
 - (ii) in the case of the sale or disposition of the interest of the Company or any Subsidiary in South Side such sale or disposition is in accordance with the Joint Venture Agreement and in the other cases referred to such sale or disposition is for the fair value of the assets sold or disposed of and in each case the amount or amounts at any time and from time to time received by the Company or such Subsidiary from such sale or disposition are deposited with the Trustee to be applied by the Trustee to the redemption of Series A Debentures at the principal amount thereof plus interest accrued to the redemption date, provided that in the event that any of such amounts are less than \$50,000, such amount shall constitute trust moneys and shall be dealt with by the Trustee in the manner set forth in the Trust Deed.
- (d) The Company will do, observe and perform all of its obligations and all other matters and things necessary or expedient to be done, observed or performed in order to preserve, protect and maintain all of the rights of the Company under the Joint Venture Agreement, subject only to the exhaustion of any of the Company's rights thereunder by reason of the due exercise of such right or any other right of the Company thereunder, and will not suffer or permit any default thereunder for which the Joint Venture Agreement might be terminated or for which any other party thereto might be relieved of any of its obligations thereunder or for which any such obligations might be reduced and will not, without the consent of the Trustee, modify or amend or permit the modification or amendment thereof in such a way as to increase the obligations of the Company thereunder or reduce the benefits to the Company thereunder, which consent the Trustee shall be authorized to give if in the opinion of the Trustee the security created by the Trust Deed will not be impaired or otherwise lessened by such modification or amendment.
- (e) The Company will not issue any additional debentures or issue or become liable on any Funded Obligations, unless:
- (i) average annual Consolidated Net Earnings for any two of the last three completed fiscal years immediately preceding such issue or immediately preceding the Company so becoming liable, as the case may be, shall have been at least equal to three times the maximum annual interest requirements on Consolidated Funded Obligations to be outstanding immediately after such issue, or immediately after the Company so becoming liable, as the case may be; and
 - (ii) Consolidated Net Tangible Assets shall be equal to at least two times the aggregate principal amount of all Consolidated Funded Obligations to be outstanding immediately after such issue or immediately after the Company so becoming liable, as the case may be;
- provided that any Funded Obligations outstanding at the time of any such issue or of the Company so becoming liable, as the case may be, which are to be retired within one week following such time shall be deemed not to be outstanding immediately after such issue or immediately after the Company so becoming liable, as the case may be, if all moneys required to retire such Funded Obligations are paid to the Trustee at such time or the payment of such moneys is provided for to the satisfaction of the Trustee at such time.
- (f) The Company will not declare or pay any dividends (other than in shares of the Company's capital stock) on any of its shares at any time outstanding, or purchase, retire, reduce or otherwise pay off any shares of its capital stock unless immediately after giving effect to such action:
- (i) Consolidated Retained Earnings of the Company and its Subsidiaries will be not less than \$1,945,703; and
 - (ii) Shareholders' Equity will be not less than the aggregate principal amount of all Consolidated Funded Obligations;
- provided, however, that this covenant shall not operate to prevent the Company from paying dividends on or satisfying mandatory retirement provisions in respect of any preferred shares hereafter issued otherwise than by way of stock dividend.
- (g) No additional debentures or other Funded Obligations of the Company will be issued having a maturity date prior to February 3, 1989 other than additional debentures or Funded Obligations maturing serially.
- (h) The Company will not create or issue any series of additional debentures or create, issue or assume any other Funded Obligations, for which the Company is required to retire or provide for the retirement of in

any 12 months' period (by maturities, serial or otherwise, and/or by sinking fund) a principal amount which is a greater percentage of the aggregate principal amount thereof theretofore issued than the percentage which the principal amount of Series A Debentures retirement of which is required to be provided for by mandatory sinking fund payments in such 12 months' period, is of the aggregate principal amount of Series A Debentures outstanding at the date of creation of such series of additional debentures or the date of the creation, issuance or assumption of such other Funded Obligations, as the case may be, unless the Company at the time of the creation of such series of additional debentures or at the time of the creation, issuance or assumption of such other Funded Obligations, as the case may be, shall covenant with the Trustee to pay, before the sinking fund retirement date or dates for the Series A Debentures in such 12 months' period, sums sufficient to increase to such greater percentage the principal amount of Series A Debentures to be retired in such 12 months' period through mandatory sinking fund payments; and such additional payments shall form part of the mandatory sinking fund for the Series A Debentures and shall be applied by the Trustee in accordance with the provisions of the Trust Deed; provided that this covenant shall not prevent the creation or issue of any additional debentures or other Funded Obligations of which the mandatory retirement provisions (by maturities, serial or otherwise, and/or by sinking fund) would not in any 12 months' period while the Series A Debentures are outstanding exceed 5% of the aggregate principal amount of such additional debentures or other Funded Obligations; and provided further that, in determining any percentage for the purposes of this covenant, there shall be used the aggregate principal amount of Series A Debentures outstanding at the date of the first delivery of such additional debentures or other Funded Obligations and the principal amount of such additional debentures or other Funded Obligations, including any additional debentures or other Funded Obligations the delivery of which is to be delayed or deferred.

- (i) The Company will neither engage in nor permit any Subsidiary to engage in any business other than the business of hotel owners, operators and managers and the business of real estate owners, developers and managers and such other ancillary businesses as may be necessary or desirable to carry on with such businesses.

Definitions

"Accredited Lending Institution" shall mean a bank to which the Bank Act applies, a loan corporation or trust company registered under The Loan and Trust Corporations Act, an insurance company licensed under The Insurance Act, Central Mortgage & Housing Corporation or any company approved as a lender under the National Housing Act, in each case other than a Subsidiary, or a registered pension fund (other than a pension fund for employees of the Company or any Subsidiary) or any other lending institution which in the opinion of the Trustee is of a similar nature.

"Appraised Value" shall mean the value as shown by an appraisal made within 12 months of any determination of Appraised Value by an independent appraiser acceptable to the Trustee.

"Completion Date" shall mean the 40th day following substantial completion of construction of The Four Seasons Sheraton or following its opening for business, whichever is the later.

"Consolidated Current Liabilities" shall mean all liabilities of the Company and its Subsidiaries which, in accordance with generally accepted accounting practice, may properly be grouped as current liabilities, other than liabilities for principal, premium (if any) or sinking fund instalments (if any) in respect of any Permitted Mortgages, Purchase Money Obligations or Funded Obligations which may be owing, issued or guaranteed by the Company or any Subsidiary.

"Consolidated Funded Obligations" shall mean the aggregate amount of all Funded Obligations of the Company and its Subsidiaries arrived at on a consolidated basis in accordance with generally accepted accounting practice.

"Consolidated Net Earnings" for any period shall mean the net profit (not including capital gains or losses) of the Company and of its Subsidiaries for such period, including in the case of a Subsidiary which became a Subsidiary subsequent to the commencement of such period the net profit of such Subsidiary for the entire period computed on a consolidated basis, before charging or making provision for interest on Funded Obligations, amortization of goodwill, or taxes on income but after charging or making provision for interest on Permitted Mortgages and Purchase Money Obligations, depreciation, depletion and any other amortization, all in accordance with generally accepted accounting practice.

“Consolidated Net Tangible Assets” shall mean the excess of the total of the following assets appearing on a consolidated balance sheet of the Company and its Subsidiaries prepared in accordance with generally accepted accounting practice:

- (a) lands, interests in lands, improvements, buildings and equipment;
- (b) all other physical assets;
- (c) all current assets;
- (d) all investments;
- (e) the refundable portion of any taxes;
- (f) any other assets which in accordance with generally accepted accounting practice may properly be grouped as tangible assets,

over Consolidated Current Liabilities, all Permitted Mortgages and Purchase Money Obligations, minority interests in Subsidiaries, provision for retirement annuities of the Company and its Subsidiaries and other liabilities which in accordance with generally accepted accounting practice may properly be deducted as a liability ranking in priority to Consolidated Funded Obligations. In ascertaining Consolidated Net Tangible Assets the value of all assets which in accordance with generally accepted accounting practice may properly be classified as fixed assets shall be taken:

- (i) in the case of fixed assets acquired prior to September 1, 1968, at the value thereof as shown on the Combined and Consolidated Balance Sheet of the Company as at such date;
- (ii) in the case of fixed assets acquired after September 1, 1968 which are not mortgaged, pledged or charged as security for Permitted Mortgages, at the lower of cost or fair value to the Company or a Subsidiary;
- (iii) in the case of fixed assets acquired after September 1, 1968 which are mortgaged, pledged or charged in favour of an Accredited Lending Institution as security for a Permitted Mortgage, at the value thereof as determined by such Accredited Lending Institution for the purpose of such Permitted Mortgage; and
- (iv) in the case of fixed assets acquired after September 1, 1968 which are mortgaged, pledged or charged in favour of other than an Accredited Lending Institution as security for a Permitted Mortgage, at the Appraised Value thereof for the purpose of such Permitted Mortgage,

less in each case proper allowance for depreciation, depletion and/or amortization.

“Consolidated Retained Earnings” shall mean the aggregate of the sum of \$1,945,703 and the Consolidated Net Earnings of the Company and its Subsidiaries since September 1, 1968 calculated as hereinbefore provided, less interest on Funded Obligations, provision for taxes on income, all dividends declared and/or paid subsequent to September 1, 1968 (other than in shares of the Company) on all shares of all classes of the Company, all premiums paid on redemption of shares of the Company after September 1, 1968 and all other items which, in accordance with generally accepted accounting practice, are properly chargeable against retained earnings and declared, paid or arising after September 1, 1968; in calculating Consolidated Retained Earnings, earnings or losses of any Subsidiary shall only be included from the date when such Subsidiary became a Subsidiary of the Company and due provision shall be made for the minority interest, if any, in any Subsidiary.

“Funded Obligations” shall mean all Indebtedness, excluding Permitted Mortgages and Purchase Money Obligations, created, assumed or guaranteed, which matures by its terms, on or is renewable at the option of the obligor to, a date more than 18 months after the date of the original creation, assumption or guarantee thereof.

“Indebtedness” shall mean all items of indebtedness which in accordance with generally accepted accounting practice would be shown on the liability side of a balance sheet as at the date as of which Indebtedness is to be determined, but in any event including, without limitation,

- (a) obligations secured by any mortgage, hypothec, pledge or lien existing on property owned subject to such mortgage, hypothec, pledge or lien, whether or not the obligations secured thereby shall have been assumed, and
- (b) guarantees, endorsements and other contingent obligations in respect of, or any obligations to purchase or otherwise acquire or service, obligations of others other than endorsements for collection in the ordinary course of business, obligations under leases or agreements to lease or obligations, which if incurred or assumed by the Company, would constitute a Permitted Mortgage or Purchase Money Obligation.

“Minor Title Defects” shall mean title defects or irregularities which, in the opinion of Counsel, are of a minor nature and in the aggregate will not materially impair the use of the property for the purposes for which it is held by the Company or any Subsidiary or materially affect the security for the Series A Debentures.

“Permitted Encumbrances” shall mean:

- (a) pledges or deposits under workmen’s compensation laws or similar legislation or good faith deposits in connection with bids and tenders in the ordinary course of business, leases or contracts (other than for the borrowing of money or the repayment of money borrowed) or deposits to secure public or statutory obligations or deposits of cash or obligations to secure surety and appeal bonds;
- (b) liens or privileges imposed by law such as carriers’, warehousemen’s, mechanics’, material men’s and vendors’ liens and privileges and liens and privileges arising out of judgments or awards with respect to which judgments or awards the Company or any Subsidiary at the time shall currently be prosecuting an appeal or proceedings for review and with respect to which it shall have secured a stay of execution pending such appeal or proceedings for review;
- (c) liens or privileges for taxes, rates, assessments or governmental charges or levies not yet subject to penalties (other than interest on any overdue taxes) for non-payment or minor encumbrances, including, without limitation, servitudes, easements, rights of way for sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties, which liens, privileges, encumbrances, servitudes, easements, rights of way and restrictions do not, in the opinion of Counsel, in the aggregate materially detract from the value of the said properties or materially impair their use in the operation of the business of the Company or any Subsidiary;
- (d) undetermined or inchoate liens and charges incidental to current construction or current operations which have not at such time been filed and of which written notice has not been served upon the Company or any Subsidiary or the Trustee pursuant to law or which relate to obligations not due or delinquent;
- (e) the excess of the amount of any taxes, rates, assessments or governmental charges or levies for which final assessments have not been received over and above the amount of such taxes, rates, assessments or governmental charges or levies as estimated by a responsible officer of the Company; and
- (f) any mortgage, hypothec, charge, lien or encumbrance payment of which has been provided for by the deposit with the Trustee of an amount in cash sufficient to pay same in principal and interest until the date of its maturity.

“Permitted Mortgage” shall mean indebtedness assumed or incurred by the Company or any Subsidiary and secured by:

- (i) a mortgage, hypothec, vendor’s privilege, lien or other encumbrance in favour of an Accredited Lending Institution of or on real and immoveable property acquired or leased and buildings and improvements erected thereon; or
- (ii) a mortgage, hypothec, vendor’s privilege, lien or other encumbrance in favour of other than an Accredited Lending Institution of or on real and immoveable property acquired or leased and buildings and improvements erected thereon in each case up to but not exceeding 75% of the Appraised Value of such property;

and any extension or renewal thereof provided that the principal amount thereof outstanding at the date of such extension or renewal and secured thereby is not increased.

“Purchase Money Obligation” shall mean any indebtedness assumed or incurred by the Company or any Subsidiary at the time of acquisition of any property (other than real or immoveable property or buildings or improvements erected thereon) acquired for use in the ordinary course of its business by the Company or such Subsidiary after September 1, 1968 to defray all or any part of but not more than the purchase price thereof and secured by any hypothec, mortgage, vendor’s privilege, lien or other encumbrance on such property and any extension, or renewal thereof provided that the principal amount thereof outstanding at the date of such extension or renewal and secured thereby is not increased.

“Shareholders’ Equity” shall mean the aggregate of the following amounts appearing on a consolidated balance sheet of the Company and its Subsidiaries prepared as of the date of the determination thereof in accordance with generally accepted accounting practice, namely:

- (i) paid up capital;
- (ii) earned surplus or deficit;

(iii) contributed surplus; and

(iv) surplus arising from an appraisal of fixed assets acquired prior to September 1, 1968 as shown on the Combined and Consolidated Balance Sheet of the Company as of such date and surplus arising from an appraisal by an Accredited Lending Institution or a determination of Appraised Value of fixed assets acquired after September 1, 1968 for the purpose of assuming or incurring Permitted Mortgages secured by a mortgage, pledge or charge of such fixed assets;

less all intangible assets appearing on such balance sheet all as determined in accordance with generally accepted accounting practice.

"Subsidiary" shall mean any corporation or company of which more than 50% of the outstanding shares carrying voting rights at all times (provided that the ownership of such shares confers the right at all times to elect at least a majority of the board of directors of such corporation or company) are for the time being owned by or held for the Company and/or any other corporation or company in like relation to the Company and includes any corporation or company in like relation to a Subsidiary.

Modification of the Trust Deed

The rights of a Series A Debenture holder under the Trust Deed and indentures supplemental thereto may be modified. For that purpose, among others, the Trust Deed will contain provisions for the holding of meetings of Series A Debenture holders and for rendering resolutions passed at such meetings and instruments in writing signed by the holders of a specified percentage of the Series A Debentures binding upon all holders of the Series A Debentures, subject to the provisions of the Trust Deed.

DESCRIPTION OF THE SHARE PURCHASE WARRANTS

Warrants entitling the bearers thereof to purchase an aggregate of 100,000 Shares of the Company, as presently constituted, at any time after receipt and up to the close of business on February 3, 1976 at the price of \$10.00 per Share, and thereafter, at the price of \$12.00 per Share, up to the close of business on February 3, 1979 when they will expire, will be issued by the Company in accordance with the provisions of an indenture (the "Warrant Indenture") to be made as of January 31, 1969 between the Company and Canada Permanent Trust Company as Trustee. The Warrants will be attached to the Series A Debentures, when issued in definitive form, and will entitle the bearer to purchase 20 Shares for each \$1,000 principal amount of the Series A Debentures. The Series A Debentures in definitive form will be available on February 3, 1972, or such earlier date as the Company may designate, at which time the Warrants will be detachable and exercisable.

The Warrant Indenture will contain provisions to the effect that, in the event of (a) any reduction in the number of Shares of the Company due to consolidation thereof, or (b) any increase in the number of such Shares due to subdivision thereof, or (c) any reclassification of such Shares, a proportionate adjustment shall be made in the number of Shares or kind of shares issuable pursuant to the exercise of the Warrants subsequent to any such change in the number of Shares or kind of shares becoming effective.

The Warrant Indenture will also contain other provisions to the effect that if the Company, at any time after February 3, 1969, issues or sells shares (with certain exceptions to be set forth in the Warrant Indenture, including the exercise of employee stock options, or the issue of shares pursuant to stock purchase or analogous plans), including shares issued by way of stock dividend, at a price different from the purchase price in effect under the Warrants immediately prior to the issuance of such shares, or issues any shares on the exercise of rights to subscribe for or warrants to purchase shares, or of any options for the purchase of shares or on conversion of any securities convertible into or exchangeable for shares and the consideration per share for which shares were issued pursuant to such rights, warrants, options or convertible or exchangeable securities or otherwise is in any case less than the said purchase price in effect under the Warrants immediately prior to the issuance of such shares, the said purchase price shall be adjusted (in the manner to be set forth in the Warrant Indenture) so as to protect the rights of the holders of the Warrants against dilution; provided that no adjustment is to be made as a result of the issue of Shares which would have the effect of increasing the purchase price above \$10.00 per Share up to February 3, 1976 or \$12.00 per Share thereafter and up to February 3, 1979 as such prices may be increased or decreased to reflect any consolidation or subdivision of Shares. The Company will covenant in the Warrant Indenture that it will at all times reserve sufficient of its unissued Shares to satisfy the exercise of the Warrants.

The Company will covenant in the Warrant Indenture during the period in which the Warrants are exercisable to give public notice before taking certain actions, including the payment of a stock dividend on its Shares, the making of any other distribution on its Shares other than cash dividends, or the issue of rights to the holders of its

Shares, such notice to be given at least 21 days prior to the record date for the determination of the shareholders entitled to such dividend, distribution or rights. Such notice need only set forth such particulars of such dividend, distribution or rights as shall have been determined at the date the notice is given.

The Warrant Indenture will provide that the Company shall not be required to issue fractional Shares upon exercise of the Warrants. The Company shall, at its option, in lieu of delivering a fractional Share either adjust such fractional interest by payment of an amount in cash equal to the current market value of such fractional interest or issue a scrip certificate of the Company in respect of such fractional interest, which scrip certificate when surrendered to the Company's Transfer Agent together with similar scrip certificates representing in the aggregate the right to subscribe for at least one full Share shall, upon payment of the purchase price, be exchangeable for a share certificate or certificates for the number of full Shares called for by all the scrip certificates to be surrendered.

DESCRIPTION OF SHARES

The authorized capital of the Company consists of 3,000,000 Shares without par value of which 1,250,000 (including 250,000 Shares being offered by this prospectus) will be issued and outstanding as fully paid and non-assessable upon completion of this financing. In addition 126,500 Shares have been reserved for issuance upon exercise of the Warrants referred to under the heading "Description of the Share Purchase Warrants" on page 17 and stock options granted to certain persons as referred to under the heading "Stock Options" on page 20. Each holder of Shares is entitled at all meetings of shareholders to one vote for each Share held and all Shares rank equally in respect of dividend rights, upon a winding up or dissolution of the Company and in all other respects. There are no preemptive rights attaching to the Shares.

DIVIDENDS

No dividends have been paid on the Company's Shares to date. Certain of the predecessor corporations of the Company have declared dividends in prior years, and reference is made to the Combined and Consolidated Statement of Retained Earnings on page 29 for the amount of these dividends. In addition, subsequent to September 1, 1968, certain of the predecessor corporations declared dividends as set forth in note 2 (a) (iii) of the Notes to the Combined and Consolidated Balance Sheet on page 26.

MANAGEMENT OF THE COMPANY

The names, home addresses and positions held with the Company of the directors and officers of the Company are set forth below:

MAX SHARP.....	Penthouse.....	Director and Chairman of the Board
	2515 Bathurst Street	
	Toronto 19, Ontario	
ISADORE SHARP.....	36 Green Valley Road.....	Director and President
	Willowdale, Ontario	
MURRAY BERNARD KOFFLER.....	23 Beechwood Avenue.....	Director and Vice-President
	Willowdale, Ontario	
EDMOND MARTIN CREED.....	74 Donwoods Drive.....	Director and Secretary
	Toronto 12, Ontario	
FREDERICK EISEN.....	20 Dewbourne Avenue.....	Director, Treasurer and Assistant
	Toronto 10, Ontario	Secretary
CLIFFORD JAMES ASH.....	Apartment 610.....	Director
	1407 Royal York Road North	
	Weston, Ontario	
IAN FRASER MUNRO.....	Windrush Farm.....	Executive Vice-President and General
	R.R. No. 4	Manager
	Stouffville, Ontario	

MAX SHARP, age 66, for the past 40 years has been actively engaged in the building and construction industry in the Toronto area through a family group of companies.

ISADORE SHARP, age 37, is the son of Max Sharp and has been primarily engaged in directing and overseeing all of the operations of the Company since its inception in 1960.

MURRAY BERNARD KOFFLER, age 44, has for the past 15 years been primarily engaged in the retail drug business and is presently Chairman of the Board and President of Koffler Stores Limited.

EDMOND MARTIN CREED, age 47, has been actively engaged through a group of family companies in the retail merchandising of furs and exclusive ladies' apparel for over 20 years.

FREDERICK EISEN, age 39, for the past 12 years has been primarily associated with the Sharp family group of building and construction companies, being chiefly responsible for property management aspects of the group's operations.

CLIFFORD JAMES ASH, age 61, for more than five years prior to his retirement in 1967 was an executive officer of a Canadian chartered bank and prior to his retirement held the position of deputy general manager.

IAN FRASER MUNRO, age 40, has been actively engaged in the hotel industry both in Canada and overseas for more than 15 years and since the commencement of the Company's business has been responsible under the direction of the executive committee for the general management of all the Company's hotel operations.

In addition all of the directors of the Company, with the exception of Clifford James Ash, have been active members of the executive committee of the Company since its establishment in 1960.

PROMOTERS

The first five directors listed under the heading "Management of the Company" on page 18, may be considered promoters of the Company.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The amount of the aggregate direct remuneration paid or payable by the Company, including that paid by its Subsidiary, to the directors and senior officers of the Company during the 12 months ended December 31, 1967, was \$115,900, and during the 10 month period ending November 1, 1968 was \$107,900. In addition, \$43,500 was paid by way of management fees in such 12 month period and \$37,500 in such 10 month period, to Motor Hotel Management Limited, a company controlled by Ian Fraser Munro. It is estimated that the aggregate direct and indirect remuneration payable to the directors and senior officers of the Company, for the 12 month period ending November 1, 1969 will be approximately \$205,000.

PRINCIPAL HOLDERS OF SECURITIES

The following table lists the only shareholder of the Company owning of record, or known to the Company to own beneficially, either directly or indirectly, more than 10% of the Shares of the Company at December 31, 1968 and also indicates the number of Shares which will be held by her on completion of the sale of the Shares offered by this prospectus:

	Designation of class	Type of ownership	Number of Shares owned	Percentage of class	Following completion of the sale of the Shares offered hereby	
					Number of Shares owned	Percentage of class
Lena Sharp, Penthouse, 2515 Bathurst Street, Toronto 19, Ontario.	Shares without par value	record and beneficial	101,113	10.1 %	101,113	8.1 %

Upon completion of the sale of the Shares offered by this prospectus:

- (i) the holdings of Lena Sharp and her husband Max Sharp will aggregate 172,776 Shares of the Company which will represent 13.8% of the outstanding Shares;
- (ii) the holdings of Murray Bernard Koffler, his wife Marvelle Koffler and four trusts established for their children will aggregate 300,000 Shares of the Company which will represent 24.0% of the outstanding Shares;
- (iii) the holdings of Edmond Martin Creed, his wife Edith Creed and six trusts established for their children will aggregate 300,000 Shares of the Company which will represent 24.0% of the outstanding Shares;
- (iv) the holdings of Isadore Sharp, his wife Rosalie Sharp and two trusts established for their children will aggregate 129,908 Shares of the Company which will represent 10.4% of the outstanding Shares;

- (v) the holdings of Frederick Eisen, his wife Beatrice Eisen and two trusts established for their children will aggregate 79,908 Shares of the Company which will represent 6.4% of the outstanding Shares; and
- (vi) the holdings of two trusts established for the children of Sigmund Levy and Nancy Levy, a son-in-law and a daughter of Max and Lena Sharp, will aggregate 17,408 Shares of the Company which will represent 1.4% of the outstanding Shares.

The number of Shares of the Company beneficially owned directly or indirectly by all directors and senior officers of the Company as a group at December 31, 1968 and after completion of the sale of Shares offered by this prospectus are as follows:

<u>Class</u>	<u>Number of Shares Owned</u>	<u>Percentage of Class</u>	<u>Following completion of the sale of the Shares offered hereby</u>	
			<u>Number of Shares Owned</u>	<u>Percentage of Class</u>
Shares without par value	375,827	37.6%	375,827	30.1%

ESCROWED SHARES

The following table sets out the number of Shares which, to the knowledge of the Company, are held in escrow:

<u>Designation of Class</u>	<u>Number of Shares held in Escrow</u>	<u>Percentage of Class</u>
Shares without par value	650,000	52%

A total of 650,000 Shares, being 52% of the Shares to be outstanding on completion of the sale of the Shares offered by this prospectus, are held in escrow by Guaranty Trust Company of Canada, Toronto, subject to release, transfer, hypothecation or other alienation only upon the prior written consent of the Company, the Ontario Securities Commission and the Quebec Securities Commission. The said escrowed Shares are owned as follows: Max Sharp, 46,582 Shares, Lena Sharp, 65,722 Shares, Edmond M. Creed, 60,937 Shares, Edith Creed, 63,644 Shares, Murray B. Koffler, 63,644 Shares, Marvelle Koffler, 60,937 Shares, Isadore Sharp, 48,750 Shares, Rosalie Sharp, 24,375 Shares, Frederick Eisen, 24,375 Shares, Beatrice Eisen, 16,250 Shares, Marvin J. Rothschild and Paul Henry, trustees, 70,416 Shares, Frederick Eisen, trustee, 5,658 Shares, Rosalie Sharp, trustee, 5,658 Shares, Sigmund Levy, trustee, 5,658 Shares, Beatrice Eisen, trustee, 5,658 Shares, Nancy Levy, trustee, 5,658 Shares, Isadore Sharp, trustee, 5,658 Shares, Edward Laxton and Murray B. Koffler, trustees, 17,605 Shares, Edward Laxton and Marvelle Koffler, trustees, 17,605 Shares, Mildred Laxton and Murray B. Koffler, trustees, 17,605 Shares, Mildred Laxton and Marvelle Koffler, trustees, 17,605 Shares.

Under an agreement dated January 13, 1969 the holders of all the issued Shares of the Company, other than the Shares offered by this prospectus, have agreed not to sell their shares before August 3, 1969 without the prior written consent of the Underwriter.

STOCK OPTIONS

As of January 3, 1969 the Company has granted to a director and to a senior officer options to purchase in the aggregate 10,500 Shares of the Company and to certain employees options to purchase, in the aggregate, 16,000 Shares of the Company. All of the options are now outstanding and are exercisable at the price of \$8.00 per share, at the rate of 20% per annum of the number of Shares optioned, with cumulative provisions. The options are not transferable and to the extent that the options have not then been exercised, expire upon the earlier of 12 months following the optionee's death, termination of employment for cause, voluntary termination of employment by the employee, the expiration of three months following termination of employment for any other reason or January 3, 1974.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Pursuant to an agreement made as of the 12th day of November, 1968, the predecessor companies referred to under the heading "The Company" on page 3, amalgamated and continued as the Company under Letters Patent of Amalgamation dated December 31, 1968. The total combined and consolidated paid up capital and retained earnings of the businesses carried on by the predecessor companies and the surplus arising from appraisal of their fixed assets as at September 1, 1968 amounted to \$5,157,945. The total number of Shares issued to the shareholders of

the predecessor companies was 1,000,000 Shares and the number of Shares received upon the amalgamation by each of such shareholders in exchange for their shares of the predecessor companies were as follows:

	Number of Shares
Lena Sharp	101,112
Edith Creed	97,914
Murray B. Koffler	97,914
Marvelle Koffler	93,750
Edmond M. Creed	93,750
Isadore Sharp	75,000
Max Sharp	71,664
Rosalie Sharp	37,500
Frederick Eisen	37,500
Beatrice Eisen	25,000
Marvin J. Rothschild and Paul Henry, trustees	108,336
Edward Laxton and Murray B. Koffler, trustees	27,084
Edward Laxton and Marvelle Koffler, trustees	27,084
Mildred Laxton and Murray B. Koffler, trustees	27,084
Mildred Laxton and Marvelle Koffler, trustees	27,084
Frederick Eisen, trustee	8,704
Rosalie Sharp, trustee	8,704
Sigmund Levy, trustee	8,704
Beatrice Eisen, trustee	8,704
Nancy Levy, trustee	8,704
Isadore Sharp, trustee	8,704
	<u>1,000,000</u>

Max Sharp and Son Construction Limited, a company controlled by Isadore Sharp and Frederick Eisen, two of the directors of the Company, has entered into agreements for supervision of construction of the following projects:

- (a) the expansion of the facilities of the Inn;
- (b) the construction of two apartment buildings for Rosehill;
- (c) the construction of an office building for Mt. Pleasant.

In each case the fee payable to Max Sharp and Son Construction Limited is 5% of the total cost of construction.

On August 31, 1968, Sharps Investments Limited, a predecessor company controlled by Max Sharp, a director of the Company, sold its 25% shareholding interest in Northview Terrace Limited to Max Sharp and Son Construction Limited for \$100,000.

Motor Hotel Management Limited, a company controlled by Ian Fraser Munro, Executive Vice-President and General Manager of the Company has, by agreement with the Company, provided management services for the Inn and The Four Seasons at fees which for the year ended December 31, 1967 amounted to \$43,500. This agreement was terminated as at November 1, 1968.

In addition, reference is made to the agreement, particulars of which are set forth in paragraph (k) under the heading "Material Contracts" appearing below, to which agreement Lena Sharp and all of the directors (with the exception of Clifford James Ash) and certain of their respective spouses and children were parties as beneficial owners of shares of certain of the predecessor companies.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business and contracts referred under the heading "Interest of Management and Others in Material Transactions" on page 20, the only material contracts entered into by the Company within two years prior to the date of this prospectus are as follows:

- (a) Underwriting agreement relating to the sale of the Units offered by this prospectus, the particulars of which are set forth under the heading "Plan of Distribution" on page 9.

- (b) Joint Venture Agreement relating to the development of the Civic Square South, the particulars of which are set forth under the heading "Joint Venture Agreement" on page 8.
- (c) Ground Lease dated August 19, 1968 between The Corporation of the City of Toronto as lessor, to South Side and the Company as lessees of Civic Square South for a term of 95 years.
- (d) Building Agreement dated August 19, 1968 between The Corporation of the City of Toronto, South Side and the Company relating to the development of Civic Square South and the construction thereon of The Four Seasons Sheraton.
- (e) Agreement dated October 5, 1967 between Two Parks and the Company relating to the construction of and leasing to London of The Four Seasons London, for a term of 84 years.
- (f) Agreement dated January 13, 1969 between the Company, the holders of all of the issued Shares of the Company, other than the Shares offered in this prospectus and Guaranty Trust Company of Canada referred to under the heading "Escrowed Shares" on page 20.
- (g) Agreement dated January 13, 1969 between the Company, the holders of all of the issued Shares of the Company, other than the Shares offered by this prospectus, and McLeod, Young, Weir & Company Limited referred to under the heading "Escrowed Shares" on page 20.
- (h) Agreement dated October 30, 1968 between the Company, Emmay Investments (Toronto) Limited, Mandolin Investments Limited, Terebinth Limited and Burton-Lesbury Holdings Limited and certain shareholders of the Company and of such other companies relating to the acquisition of the lands and premises comprising the Mt. Pleasant project and the development thereof, under the name Mt. Pleasant Development Company.
- (i) Agreement dated April 12, 1967 between the Company, Oakmount Investments Limited, Emmay Investments (Toronto) Limited, Stinson Investments Limited, Bigmar Enterprises Limited and Mandolin Investments Limited and certain shareholders of the Company and of such other companies relating to the acquisition of the lands and premises comprising the Rosehill project and the development thereof under the name Rosehill Development Company.
- (j) Agreement dated October 31, 1967 between Rosehill and Avoca relating to the sale to Avoca of the lands and buildings comprising the Rosehill project.
- (k) Agreement dated November 20, 1968 between all of the predecessor companies (with the exception of Four Seasons Motor Hotel Limited, Steele-View Holdings Limited and Tiffany Investments Limited and the beneficial shareholders of such companies relating to the sale and transfer by each of such companies to such shareholders of certain assets not related to the business presently conducted or proposed to be conducted by the Company as described in this prospectus.

Copies of the foregoing contracts, and when executed, the Trust Deed, the Warrant Indenture and the Deposit Agreement, may be examined at the head office of the Company during the period of primary distribution of the securities offered hereby and for a period of 30 days thereafter.

PENDING LITIGATION

On December 5, 1968, Bela Herskovits, as plaintiff, instituted an action in the Supreme Court of Ontario against The Four Seasons Inn on the Park Limited, a predecessor company, as defendant, for damages in the amount of \$74,308 for breach of contract. The Company believes it has a good defense to and is defending such action.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditors of the Company are Wm. Eisenberg & Co., Chartered Accountants, 425 University Avenue, Toronto.

The transfer agent and registrar for the Shares of the Company is Guaranty Trust Company of Canada at its principal offices located in Toronto, Montreal, Winnipeg, Calgary and Vancouver.

Canada Permanent Trust Company will be trustee for the holders of the Series A Debentures. Registers upon which fully registered Series A Debentures will be registered as to principal and interest, and upon which coupon Series A Debentures, when available, may be registered as to principal, and upon which transfers of the Series A Debentures so registered shall be registered, will be kept by Canada Permanent Trust Company at its principal offices located in Toronto, Montreal, Winnipeg, Calgary and Vancouver.

AUDITORS' REPORT

To the Directors of
FOUR SEASONS HOTELS LIMITED

We have examined the combined and consolidated balance sheet of the Four Seasons Motor Hotels and the pro forma consolidated balance sheet of Four Seasons Hotels Limited as at September 1, 1968, and the statements of combined and consolidated earnings and retained earnings and the pro forma statements of combined and consolidated earnings and adjusted retained earnings for the five years and eight months ended September 1, 1968. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion:

- (a) the accompanying combined and consolidated balance sheet presents fairly the financial position of the Four Seasons Motor Hotels as at September 1, 1968;
- (b) the accompanying pro forma consolidated balance sheet presents fairly the financial position of Four Seasons Hotels Limited as at September 1, 1968 after giving effect to the transactions as set out in note 2 to the balance sheet;
- (c) the accompanying statements of combined and consolidated earnings and retained earnings present fairly the results of the operations of the Four Seasons Motor Hotels for the five years and eight months ended September 1, 1968;
- (d) the accompanying pro forma statements of combined and consolidated earnings and adjusted retained earnings present fairly the results of the operations of the Four Seasons Motor Hotels for the five years and eight months ended September 1, 1968 after giving effect to the adjustments as set out in notes 2 and 3 to the combined and consolidated statements of earnings and retained earnings;

all in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Canada.
January 13, 1969.

(Signed) WM. EISENBERG & CO.
Chartered Accountants

FOUR SEASONS MOTOR HOTELS
Combined and Consolidated Balance Sheet
AND
FOUR SEASONS HOTELS LIMITED
Pro Forma Consolidated Balance Sheet
as at September 1, 1968

ASSETS

	Combined and Consolidated (Note 1)	Pro Forma Consolidated (Note 2)
CURRENT ASSETS		
Cash on hand and in bank.....	\$ 323,317	\$ 1,701,865
Accounts receivable (after allowance for doubtful accounts of \$63,954).....	440,746	440,746
Inventory of food, beverages and supplies—at lower of cost or replacement value.....	205,267	205,267
Loan receivable—South Side Development Limited (Note 10 (a)).....	285,315	285,315
Sundry amounts receivable.....	67,435	67,435
Due from shareholders.....	193,318	—
Prepaid expenses.....	73,506	73,506
	<u>1,588,904</u>	<u>2,774,134</u>
BALANCE OF DEPOSIT WITH TRUSTEE (Note 2 (d)).....	<u>—</u>	<u>3,500,000</u>
DEFERRED DEVELOPMENT AND CONSTRUCTION COSTS (Note 9).....	<u>163,092</u>	<u>163,092</u>
INVESTMENTS—(at cost)		
South Side Development Limited (Note 10 (a)).....	500,000	500,000
Equity in Rosehill Development Company (Note 10 (c)).....	171,250	171,250
Deposit on land—Mt. Pleasant Development Company (Note 10 (d)).....	25,000	25,000
Mortgage receivable—8% due August 30, 1973.....	185,000	185,000
	<u>881,250</u>	<u>881,250</u>
FIXED ASSETS		
Land, buildings, furniture, furnishings and equipment (Note 3).....	12,000,000	12,000,000
Linen, tableware and uniforms (inventoried at the lower of cost or depreciated value).....	569,525	569,525
Vehicles (valued at cost less accumulated depreciation of \$3,734).....	2,286	2,286
	<u>12,571,811</u>	<u>12,571,811</u>
OTHER ASSETS		
Cost of reorganization and public financing (Note 2 (d)).....	<u>—</u>	<u>335,000</u>
	<u>\$15,205,057</u>	<u>\$20,225,287</u>

Approved on behalf of the Board

(Signed) E. M. CREED, Director

(Signed) C. J. ASH, Director

The accompanying notes are an integral part of the financial statements.

FOUR SEASONS MOTOR HOTELS
Combined and Consolidated Balance Sheet
AND
FOUR SEASONS HOTELS LIMITED
Pro Forma Consolidated Balance Sheet
as at September 1, 1968

LIABILITIES

	Combined and Consolidated (Note 1)	Pro Forma Consolidated (Note 2)
CURRENT LIABILITIES		
Bank indebtedness (Note 4).....	\$ 275,000	\$ —
Accounts payable and accrued charges.....	884,224	884,224
Loans payable.....	102,000	102,000
Long term debt—due within one year (Note 5).....	511,226	511,226
Income taxes payable.....	193,820	193,820
Shareholders' loans.....	225,000	225,000
	<u>2,191,270</u>	<u>1,916,270</u>
DEFERRED PROFIT ON SALE OF LAND.....	69,942	69,942
LONG TERM DEBT (Note 5).....	7,188,485	
PRO FORMA LONG TERM DEBT (Note 6).....		11,688,485
DEFERRED INCOME TAXES (Note 7).....	597,415	597,415
TOTAL LIABILITIES.....	<u>10,047,112</u>	<u>14,272,112</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Combined and Consolidated issued Shares (Note 8).....	1,449	
Pro Forma Consolidated		
Authorized		
3,000,000 Shares without par value		
Issued		
1,250,000 Shares without par value.....		1,001,449
Retained earnings (Note 7).....	2,150,473	
Pro forma retained earnings (Note 2(a) (iii)).....		1,945,703
Surplus arising from appraisal of fixed assets (Note 3).....	3,006,023	3,006,023
TOTAL SHAREHOLDERS' EQUITY.....	<u>5,157,945</u>	<u>5,953,175</u>
	<u>\$15,205,057</u>	<u>\$20,225,287</u>

The accompanying notes are an integral part of the financial statements.

**FOUR SEASONS MOTOR HOTELS
AND
FOUR SEASONS HOTELS LIMITED**

**Notes to the Combined and Consolidated Balance Sheet and
Pro Forma Consolidated Balance Sheet
as at September 1, 1968**

1. Accounting Presentation

The combined and consolidated balance sheet of Four Seasons Motor Hotels includes:

- (a) The 21 operating and realty companies which own the Four Seasons Motor Hotel in Toronto and the Inn on the Park in Don Mills. These companies are listed in paragraphs (a), (b), (c) and (d) of note 1 of the Notes to the Combined and Consolidated Statements of Earnings and Retained Earnings.
- (b) Steele-View Holdings Limited.
- (c) Tiffany Investments Limited.

2. Pro Forma Balance Sheet

The pro forma consolidated balance sheet gives effect to the following transactions as if they had occurred September 1, 1968.

- (a) (i) A general plan of reorganization whereby Letters Patent of Amalgamation brought together as one corporate unit the predecessor companies as set out in note 1 of the Notes to the Combined and Consolidated Statement of Earnings and Retained Earnings. These predecessor companies formerly carried on the business to be conducted by Four Seasons Hotels Limited.
- (ii) the sale by certain of the predecessor companies to their shareholders of certain assets not related to the business presently conducted or proposed to be conducted by the Company;
- (iii) the declaration by certain of the predecessor companies of dividends amounting to \$204,770.
- (iv) the repayment of the loans due from shareholders amounting to \$193,318.
- (b) The issue of 1,000,000 Shares without par value of the Company as a result of the reorganization referred to in (a) above, in exchange for all of the issued and outstanding shares of the predecessor companies as reflected in the Combined and Consolidated Balance Sheet as at September 1, 1968, as follows:

	Shares (at cost)	Retained earnings	Appraisal surplus	Total equity	New Shares issued
Four Seasons Motor Hotel Limited.....	\$ 300	\$ 268,162	\$ 150,008	\$ 418,470	124,991
The Inn on the Park (Including Steele-View Holdings Limited).....	606	1,047,790	482,468	1,530,864	450,000
City Motel and Suburban Motel.....	343	834,521	2,373,547	3,208,411	325,009
Tiffany Investments Limited.....	200	—	—	200	100,000
	<u>\$ 1,449</u>	<u>\$2,150,473</u>	<u>\$3,006,023</u>	<u>\$5,157,945</u>	<u>1,000,000</u>

- (c) The issue and sale of 5,000 Units consisting of \$5,000,000 7% Sinking Fund Debentures, Series A, due February 3, 1989 with Share Purchase Warrants and 250,000 Shares without par value. The Warrants, when issued, entitle the holder to purchase 20 Shares for each \$1,000 principal amount of Series A Debentures at \$10.00 per Share up to February 3, 1976 and at \$12.00 per Share thereafter up to February 3, 1979, when they expire.
- (d) The net proceeds from the sale of the Units after deducting the underwriters' discount of \$210,000 and legal and audit and other expenses estimated at \$125,000 will amount to \$5,665,000. Of this amount \$4,000,000 is to be deposited on completion of such sale and held by the Canada Permanent Trust Company, as trustee, under a trust indenture, to be withdrawn by the Company from time to time, for investment in South Side Development Limited, subject to the immediate withdrawal by the Company of the \$500,000 already invested by it in South Side. \$500,000 of the net proceeds will be used to retire long term bank indebtedness. The balance, amounting to \$1,165,000, will be added to the Company's general funds to retire current bank loans and to augment the working capital position.

3. Land, Buildings, Furniture, Furnishings and Equipment

The land, buildings, furniture, furnishings and equipment were appraised by Chaffe, MacKenzie & Ray, Limited on November 28 1968. Their report indicated a market value of \$12,620,000. This amount was reduced by management to \$12,000,000 to establish a more conservative valuation. These amounts were allocated as follows:

	Allocation	
	Appraisers	Management
Land.....	\$ 2,500,000	\$ 2,375,000
Buildings.....	7,700,000	7,325,000
Furniture, furnishings and equipment.....	2,420,000	2,300,000
	<u>\$12,620,000</u>	<u>\$12,000,000</u>

The surplus arising from this appraisal of the land, buildings, furnishings and equipment is \$3,006,023.

4. Bank Indebtedness

This amount is secured by a general assignment of book debts.

5. Long Term Debt

Long term debt comprises the following:

	Total outstanding	Due within one year
Bank loans—re: construction and development.....	\$1,000,000	\$ —
Mortgages payable:		
Great West Life Assurance Company on The Four Seasons Motor Hotel, the Inn on the Park and a portion of the Carlton Street property adjacent to The Four Seasons Motor Hotel and owned by the Company, due July 15, 1984, interest at 7% plus a participation to a maximum of \$15,937 per annum in the room revenue of The Four Seasons Motor Hotel.....	1,130,450	35,400
Joseph P. Thomson (1957) Limited on a portion of the land on Carlton Street, due April 30, 1972, interest at 7½%.....	38,555	900
Shell Canada Limited on the service station property at Jarvis and Carlton Streets, due August 1, 1988, interest at 6¾%.....	326,713	7,738
Great West Life Assurance Company on the Inn on the Park, The Four Seasons Motor Hotel and a portion of the Carlton Street property owned by the Company, due February 1, 1987, interest at 7¼% plus a participation to a maximum of \$60,000 per annum to 1982, and a maximum of \$17,000 per annum thereafter to 1987 in the room revenue of the Inn on the Park.....	4,316,400	122,400
Conditional Sales Contracts for furniture, furnishings and equipment, maturing in monthly instalments until 1971		
—The Four Seasons Motor Hotel.....	65,814	56,232
—Inn on the Park.....	821,779	288,556
	<u>7,699,711</u>	<u>\$511,226</u>
Less: Due within one year.....	511,226	
	<u>\$7,188,485</u>	

6. Pro Forma Long Term Debt

The long term debt shown in Note 5 above has been adjusted to give effect to the following in accordance with Note 2 above:

- (a) the issue and sale of \$5,000,000 7% Sinking Fund Debentures, Series A, due February 3, 1989 with Share Purchase Warrants.
- (b) the repayment of \$500,000 of long term bank indebtedness.

The Company will make sinking fund payments sufficient to retire \$250,000 principal amount of Series A Debentures on or before February 3 in each of the years 1973 to 1988 inclusive.

7. Deferred Income Taxes

For income tax purposes, most of the predecessor companies have claimed capital cost allowances on buildings, furniture, furnishings and equipment which are in excess of the depreciation recorded in the accounts. This has resulted in an accumulated reduction of income taxes payable totalling \$597,415. These deferred income taxes may be payable in future years when the depreciation recorded in the accounts may be in excess of available capital cost allowances. Provision has been made for these deferred income taxes on the balance sheet by adjusting the retained earnings.

In addition, for income tax purposes, the predecessor operating companies have claimed maximum capital cost allowance of 100% of the inventories of linen, tableware and uniforms. This has resulted in a reduction of income taxes payable totalling \$284,762. No provision has been made for deferred income taxes as these inventories of linen, tableware and uniforms must always be maintained as long as the Company continues in the hotel business.

8. Capital Stock

Seven of the predecessor companies, whose accounts are combined in this statement, redeemed all of their outstanding preference shares at par in August, 1968. The total redemptions amounted to \$35,100.

9. Deferred Development and Construction Costs

Cost of options and development re land in Toronto, which, if exercised, will be added to the cost of buildings to be erected thereon.....	\$ 11,388
Architectural and design fees in connection with a new addition to the Inn on the Park to be capitalized as a building cost.....	88,739
Architectural and design fees in connection with a new hotel in London, England to be amortized as leasehold improvements.....	18,746
Pre-opening expenses in connection with a new hotel in London, England to be amortized over a number of years after the hotel opens for business.....	44,219
	<u>\$163,092</u>

10. Subsequent Events and Contingent Liabilities

- (a) The Company has entered into an agreement with International Telephone and Telegraph Corporation and Sheraton Corporation of America to form a new corporation, South Side Development Limited, to develop the Civic Square South in the City of Toronto. The Company is entitled to participate in the new corporation to a maximum of a 49% interest with a maximum investment of \$4,900,000. The Company and South Side have executed a ground lease and a building agreement with The Corporation of the City of Toronto. ITT and Sheraton have agreed to indemnify the Company against the proportion of all claims, costs, demands and expenses arising out of the ground lease and building agreement which is equal to ITT and Sheraton's percentage interest in South Side. So long as the lessees are not in default thereunder the ground lease requires the payment of rental at the rates of \$1 per annum during the first three years, \$240,000 per annum for the following seven years and \$390,000 per annum plus varying percentages of revenue for the remaining 88 years of the lease term. The lease is a net lease and requires the lessees to pay all other expenses including real property taxes.

The Company's investment in South Side, as at September 1, 1968 consisted of \$49,000 by way of share capital and \$451,000 by way of loan.

In addition the Company has advanced \$285,315 on behalf of South Side which is to be repaid to the Company in 1969.

- (b) The Company has entered into an agreement with Two Parks Development Limited of London, England, whereby the Company's subsidiary will lease for a term of 84 years a new hotel being constructed in London and sub-lease such hotel to the Company for a term of 10 years. The Company will guarantee the obligations of its subsidiary under the lease for a period of 21 years including the payment of rent in the amount of £205,000 per annum.
- (c) The Company has acquired a 50% interest in Rosehill Development Company, a partnership which has purchased and is developing certain property in Toronto as a co-operative apartment project subject to mortgages of \$3,600,000 and a bank loan of \$1,000,000. The property has been sold subject to completion of construction by Rosehill.
- (d) The Company has acquired a 47½% interest in Mt. Pleasant Development Company, a partnership, which has purchased certain property in Toronto for \$852,000 subject to mortgages of \$577,000 and a bank loan of \$150,000. This property is to be developed as a commercial real estate investment.
- (e) As a result of the issuance of 250,000 Shares of the Company to the public the licence transfer fee provisions of The Liquor Licence Act of Ontario may be invoked. If these provisions are invoked the estimated fees payable would total \$92,500.
- (f) The Company has reserved 126,500 Shares for the following purposes:
- (i) 100,000 Shares for issuance upon exercise of the Warrants referred to in Note 2(c) above.
 - (ii) 26,500 Shares for issuance upon exercise of stock options granted by the Company to a director, a senior officer and to certain employees to purchase Shares at a price of \$8.00 per Share at the rate of 20% per annum of the number of Shares optioned with cumulative provisions expiring on January 3, 1974.

11. Pending Litigation

The Company is defending an action instituted in the Supreme Court of Ontario by Bela Herskovits for damages in the amount of \$74,308 for breach of contract.

FOUR SEASONS MOTOR HOTELS

Combined and Consolidated Statement of Earnings (Note 1) and Pro Forma Combined and Consolidated Statement of Earnings (Note 2) For the Five Years and Eight Months Ended September 1, 1968

	Period Ended		Year Ended December 31				
	September 1, 1968	September 3, 1967	1967	1966	1965	1964	1963
	(Unaudited)						
SALES.....	\$5,788,336	\$5,513,254	\$8,302,282	\$7,636,717	\$5,895,789	\$4,808,368	\$3,121,566
Cost of sales.....	1,314,528	1,284,427	2,023,296	1,789,941	1,418,890	1,234,968	773,289
Payroll and related expenses.....	1,782,083	1,641,582	2,456,388	2,234,873	1,724,731	1,462,759	972,514
Other expenses.....	1,247,575	1,191,716	1,767,171	1,639,056	1,137,738	908,066	637,287
House profit—Hotel operations.....	1,444,150	1,395,529	2,055,427	1,972,847	1,614,430	1,202,575	738,476
Gross profit—Real Estate operations.....	143,900	—	—	—	—	—	—
TOTAL OPERATING PROFITS.....	1,588,050	1,395,529	2,055,427	1,972,847	1,614,430	1,202,575	738,476
Municipal taxes and insurance.....	232,973	217,909	325,917	279,228	202,125	182,081	114,788
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING CHARGES.....	1,355,077	1,177,620	1,729,510	1,693,619	1,412,305	1,020,494	623,688
Interest on long term debt.....	407,397	424,931	655,628	680,723	393,317	427,876	265,881
Directors' salaries.....	34,000	34,300	50,000	57,000	12,500	7,600	10,000
Depreciation of buildings, furniture and equipment.....	205,336	256,242	384,262	383,188	414,180	240,691	188,948
Amortization of pre-opening expense....	—	—	—	44,959	44,959	44,959	—
Income taxes.....	214,357	46,367	44,266	12,635	6,125	14,888	9,606
NET EARNINGS FOR THE PERIOD.....	493,987	415,780	595,354	515,114	541,224	284,480	149,253
PRO FORMA ADJUSTMENTS (Note 2)							
Additional depreciation.....	119,332	64,066	96,099	91,303	38,526	38,797	24,791
Deferred income taxes.....	43,850	25,031	37,547	174,096	149,357	57,555	—
Income taxes.....	36,299	127,642	159,595	(12,635)	(6,125)	(14,888)	(9,606)
PRO FORMA ADJUSTED NET EARNINGS FOR THE PERIOD.....	\$ 294,506	\$ 199,041	\$ 302,113	\$ 262,350	\$ 359,466	\$ 203,016	\$ 134,068

Combined and Consolidated Statement of Retained Earnings (Note 1) and Adjusted Combined and Consolidated Retained Earnings (Note 3) For the Five Years and Eight Months Ended September 1, 1968

	Period Ended		Year Ended December 31				
	September 1, 1968	September 3, 1967	1967	1966	1965	1964	1963
	(Unaudited)						
RETAINED EARNINGS AT THE BEGINNING OF THE PERIOD.....	\$2,260,996	\$1,677,883	\$1,677,883	\$1,175,371	\$ 652,176	\$ 402,285	\$ 263,885
Net earnings for the period.....	493,987	415,780	595,354	515,114	541,224	284,480	149,253
Gain on sale of an asset.....	—	—	—	—	—	25,000	582
Sundry credit.....	—	—	—	768	—	—	—
	2,754,983	2,093,663	2,273,237	1,691,253	1,193,400	711,765	413,720
Dividends.....	573	250	505	500	500	47,700	500
Life insurance premiums.....	6,442	7,540	11,309	12,490	15,627	11,263	8,834
Other amounts written off and sundry charges.....	80	285	427	380	1,902	626	2,101
RETAINED EARNINGS AT THE END OF THE PERIOD.....	2,747,888	\$2,085,588	\$2,260,996	\$1,677,883	\$1,175,371	\$ 652,176	\$ 402,285
Adjustment for deferred income taxes (Note 3).....	597,415	—	—	—	—	—	—
ADJUSTED RETAINED EARNINGS SEPTEMBER 1, 1968.....	\$2,150,473	—	—	—	—	—	—

The accompanying notes are an integral part of the financial statements.

FOUR SEASONS MOTOR HOTELS

Notes to the Combined and Consolidated Statements of Earnings and Retained Earnings and Adjusted Combined and Consolidated Retained Earnings and Pro Forma Combined and Consolidated Statement of Earnings For the Five Years and Eight Months Ended September 1, 1968

1. Combined and Consolidated Statements of Earnings and Retained Earnings

The combined and consolidated statements of earnings and retained earnings of Four Seasons Motor Hotels include the operations of the following entities:

- (a) Four Seasons Motor Hotel Limited
- (b) City Motel which owns the land and buildings of the Four Seasons Motor Hotel. The co-owners of City Motel are:
 - Sharps Investments Limited
 - Quincees Investments Limited
 - Wencreed Limited
 - Dorcreed Limited
 - Thocreed Limited
 - Jacreed Limited
 - Doncreed Limited
 - Kothomas Investments Limited
 - Koleon Investments Limited
 - Koadam Investments Limited
 - Koffler-Creed Limited
- (c) The Inn on the Park, a partnership of six companies. The six corporate partners are:
 - The Four Seasons Inn on the Park Limited
 - Fredros Limited
 - Mured Hotels Limited
 - Edimar Hotels Limited
 - Koreed Limited
 - Marmond Limited
- (d) Suburban Motel which owns the land and buildings of the Inn on the Park. The co-owners of Suburban Motel are:
 - Lenash Investments Limited
 - Jamgreg Investments Limited
 - Jorderill Investments Limited
 - Quincees Investments Limited
 - Wencreed Limited
 - Dorcreed Limited
 - Thocreed Limited
 - Jacreed Limited
 - Doncreed Limited
 - Kothomas Investments Limited
 - Koleon Investments Limited
 - Koadam Investments Limited
 - Koffler-Creed Limited
- (e) Steele-View Holdings Limited.
- (f) Tiffany Investments Limited.

2. Pro Forma Combined and Consolidated Statement of Earnings

The pro forma combined and consolidated statement of earnings gives effect to the following adjustments:

- (a) *Additional Depreciation*

A number of the companies have recorded no depreciation in their accounts. Other companies have recorded depreciation at different rates. To make proper comparisons and a more accurate presentation, additional depreciation has been recorded so that the total depreciation each year is now consistently recorded at the rate of 10% per annum straight-line for furniture, furnishings and equipment and 3% per annum straight-line on buildings.
- (b) *Deferred Income Taxes*

For income tax purposes, most of the companies have claimed capital cost allowances on buildings, furniture, furnishings and equipment which are in excess of the depreciation recorded in the accounts and the additional depreciation recorded per Note 2(a) above. Where this has resulted in a reduction of income taxes payable, the deferred income taxes have been provided for. The linen, tableware and uniforms are inventoried at the lower of cost or depreciated value.

For income tax purposes, the operating companies have claimed maximum capital cost allowance of 100% of these inventories of linen, tableware and uniforms. No provision has been made for deferred income taxes as these inventories of linen, tableware and uniforms must always be maintained as long as the Company continues in the hotel business.
- (c) *Income Taxes*

Income taxes have been restated from the previous basis to those exigible if the companies had operated as one company during the five years and eight months.

3. Adjusted Combined and Consolidated Retained Earnings

Provision has been made for deferred income taxes totalling \$597,415. This represents the accumulated reduction of income taxes payable where capital cost allowances were claimed on buildings, furniture, furnishings and equipment in excess of the depreciation recorded in the accounts.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

The Securities Act, 1966 (Ontario), The Securities Act, 1967 (Alberta) and The Securities Act, 1967 (Saskatchewan) provide, in effect, that where a security is offered to the public in the course of primary distribution, a purchaser is permitted in certain events:

- (a) to withdraw from any agreement of purchase if written or telegraphic notice evidencing the intention of the purchaser not to be bound by the agreement of purchase is received by the vendor or his agent not later than midnight on the second business day after the final prospectus or final amended prospectus is received by the purchaser or his agent; and
- (b) to rescind the agreement of purchase by institution of legal proceedings within ninety days from the date of receipt of the final prospectus or a final amended prospectus by the purchaser or his agent or the date of the agreement of purchase, whichever is later, if such prospectus or amended prospectus, as of the date of receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made.

The full text of such provisions is contained, respectively, in Sections 63 and 64 of The Securities Act, 1966 (Ontario), in Sections 63 and 64 of The Securities Act, 1967 (Alberta) and in Sections 70 and 71 of The Securities Act, 1967 (Saskatchewan).

A purchaser in British Columbia of any of the securities offered by this prospectus, while still the owner of any such securities, has the right under provisions of the Securities Act, 1967 (British Columbia),

- (a) if such purchaser is a person (as defined in such Act), to rescind the contract of purchase, if a copy of the last prospectus filed with the British Columbia Securities Commission relating to the securities was not delivered to him or his agent prior to the delivery to either of them of the written confirmation of the sale of the securities, by serving, within sixty days of the delivery of such written confirmation, on the person who contracted to sell him the securities written notice of his intention to commence an action for rescission of the contract and by instituting the appropriate legal proceedings before the expiration of three months from the date of service of such written notice; and
- (b) if such purchaser is a person (as so defined) or a company, to rescind the agreement of purchase by institution of legal proceedings within ninety days from the date of receipt of the prospectus or an amended prospectus by the purchaser or his or its agent or the date of the agreement of purchase, whichever is later, if such prospectus or amended prospectus, as of the date of receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made.

The full text of such provisions is contained in Sections 61 and 62 of the Securities Act, 1967 (British Columbia).

CERTIFICATES

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1966 (Ontario), by Part VIII of The Securities Act, 1967 (Saskatchewan), by Part 7 of The Securities Act, 1967 (Alberta), by Part VII of the Securities Act, 1967 (British Columbia), by Section 13 of the Securities Act (New Brunswick), under the Securities Act (Quebec) and the respective regulations thereunder.

DATED January 13, 1969.

(Signed) I. SHARP
Chief Executive Officer

(Signed) F. EISEN
Chief Financial Officer

On behalf of the Board

(Signed) E. M. CREED
Director

(Signed) C. J. ASH
Director

Directors and Promoters

(Signed) F. EISEN

(Signed) M. B. KOFFLER

(Signed) E. M. CREED

(Signed) I. SHARP

MAX SHARP
by his agent, (Signed) I. SHARP

Director

(Signed) C. J. ASH

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1966 (Ontario), by Part VIII of The Securities Act, 1967 (Saskatchewan), by Part 7 of The Securities Act, 1967 (Alberta), by Part VII of the Securities Act, 1967 (British Columbia), by Section 13 of the Securities Act (New Brunswick), under the Securities Act (Quebec) and the respective regulations thereunder.

Underwriter

MCLEOD, YOUNG, WEIR & COMPANY LIMITED

Per: (Signed) G. C. MACDONALD

The following includes the names of all individuals having an interest of 5% or more in the capital of McLeod, Young, Weir & Company Limited: J. S. Dinnick, G. C. MacDonald, F. O. Evans, C. P. Keeley, R. W. Wadds, J. R. Hilborn and R. J. G. Reiner.

12.

ANNUAL MEETING

The By-laws of the Company provide that the annual meeting of the Company shall be held at such place within Ontario on such day in each year as the Board of Directors may from time to time determine. The Company has not held an annual meeting since the date of amalgamation, namely, December 31, 1968.

13.

HEAD OFFICE

The head and principal office is located at 1100 Eglinton Avenue East, Don Mills, Ontario.

14.

TRANSFER AGENTS AND REGISTRAR

The transfer agent and registrar for the shares of the Company is Guaranty Trust Company of Canada at its principal offices located in Toronto, Montreal, Winnipeg, Calgary and Vancouver.

20 Shares forming part of each Unit (as described on the facing page of the Prospectus) will be transferable together with the Series A Debenture of the Company and will not be transferable separately until August 3, 1969, or such earlier date as the Company may designate. Canada Permanent Trust Company is Trustee for the Holders of the Series A Debentures. Canada Permanent Trust Company maintains Registers with reference to the Series A Debentures at its principal offices located in Toronto, Montreal, Winnipeg, Calgary and Vancouver.

15.

TRANSFER FEE

No fee is charged on the transfer of Shares of the Company, other than the customary Governmental Stock transfer tax.

16.

AUDITORS

The auditors of the Company are:

Wm. Eisenberg & Co., Chartered Accountants,
425 University Avenue, Toronto.

17.

OFFICERS AND DIRECTORS

The names, home addresses, positions held with the Company and principal occupations of the directors and officers of the Company during the last five years are set forth on Pages 18 and 19 of the Prospectus.

18.

CERTIFICATE

Pursuant to a resolution duly passed by the Board of Directors, the applicant Company hereby applies for listing of the above mentioned securities on The Toronto Stock Exchange and the undersigned officers hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.



FOUR SEASONS HOTELS LIMITED

"I. SHARP"

"F. EISEN"

19.

CERTIFICATE OF UNDERWRITERS

To the best of our knowledge, information and belief, all of the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

MCLEOD, YOUNG, WEIR & COMPANY LIMITED

"J. R. HILBORN"

"L. E. BARLOW"

DISTRIBUTION OF SHARES WITHOUT PAR VALUE AS OF MARCH 7th, 1969

Number						Shares
2	Holders of	1 —	24 share lots	.....		16
431	" "	25 —	99 " "	.....		20,060
126	" "	100 —	199 " "	.....		16,820
39	" "	200 —	299 " "	.....		8,170
37	" "	300 —	399 " "	.....		11,440
21	" "	400 —	499 " "	.....		8,830
24	" "	500 —	999 " "	.....		15,870
52	" "	1000 —	up " "	.....		1,168,794
<u>732</u>	Shareholders				Total shares	<u>1,250,000</u>

100,000 Shares of the Company are registered in the name of Canada Permanent Trust Company as Trustee for the holders of the Series A Debentures. There are approximately 181 holders of Debentures who are entitled to receive 100 Shares or more on August 3rd, 1969.